

Initiation of coverage

Buy

17 October 2018 – 5:30PM

MARKET PRICE: **EUR2.44**

TARGET PRICE: **EUR3.63**

IT services

Data

Shares Outstanding (m):	14.9
Market Cap. (EURm):	36.4
Enterprise Value (EURm):	29.3
Free Float (%):	32.4%
Av. Daily Trad. Vol. (m):	0.014
Main Shareholder:	Founders 57.7%
Reuters/Bloomberg:	MAIL.MI MAIL IM
52-Week Range (EUR)	2.0 2.8

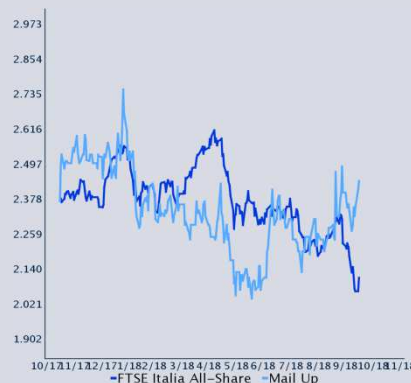
Source: Factset, Ubi Banca estimates

Performance

	1m	3m	12m
Absolute	7.0%	5.6%	-6.1%
Rel. to FTSE IT	14.1%	16.9%	7.3%

Source: Factset

Graph area Absolute/Relative 12 M



Source: Factset

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Financials

	2017	2018E	2019E	2020E
Revenues (EURm)	26.4	35.3	44.8	52.8
EBITDA (EURm)	2.9	3.6	5.2	6.8
EBITDA margin (%)	10.9%	10.3%	11.7%	12.8%
EBIT (EURm)	1.3	1.8	3.2	4.5
EPS (EUR)	0.04	0.07	0.13	0.19
CFPS (EUR)	0.14	0.30	0.20	0.31
DPS (EUR)	0.00	0.00	0.00	0.00

Source: Company Data, UBI Banca Estimates

Digital communication 4.0

We initiate coverage of MailUp with a Buy rating and a target price of EUR3.63 per share (51% upside potential). MailUp has been growing to become a leading player in the provision of Software-as-a-Service products for digital marketing professionals. These products include the Group's email marketing platform, SMS professional delivery solutions and BEE drag-and-drop editing tool for email and landing pages launched in 2014. Since flotation in July 2014 (at EUR1.92 per share), thanks to both organic growth and acquisitions, consolidated Value-of-Production (VoP) has tripled reaching EUR27.3 million and EBITDA has increased by >3.5x for the year to 31 December 2017. The recent acquisition of Datatrics will position MailUp in the segment of Digital Customer Data Platform. We believe MailUp has an attractive business model because its scalable platform and clear strategy focused on rapid innovation to support cross-selling opportunities allow to exploit the growth momentum of the industry and increase the visibility on continuing profitable improvement. Its healthy balance sheet (70% Operating CF/EBITDA FY17, EUR8.9 million net cash as 30 June 2018,) creates scope for superior growth.

- > MailUp is offering a broad spectrum of solutions with a focus on data-driven multi-channel marketing automation. The Group serves 20,700 direct customers across 115 countries.
- > In 1H18 total revenues jumped by 38% to EUR18 million and EBITDA grew by 56% to EUR1.9 million. In 3Q18 gross sales grew by 55% to EUR8.7 million. We forecast 2017-2020E revenues CAGR at 26% and 33% EBITDA CAGR 2017-2020E, with EBITDA margin rising from 10.9% in 2017 to 12.8% in 2020.
- > Our target price of EUR3.63 per share is obtained from a DCF valuation (WACC at 9.9%, g at 2%). MailUp is trading at >60% discount on 2018E-20E average EV/EBITDA of its European comparable company dotDigital, listed on London AIM; although MailUp is much smaller than dotDigital (>EUR245 million market cap), we believe such huge liquidity discount is unjustified given its potential superior growth opportunities from the integration of Datatrics and the take-off of the advisory activity which is already significant in the UK player. Potential new creative acquisitions could provide further upside. MailUp is itself a potential target of acquisition by a cloud communication player looking for leading email platforms.
- > Main risks are: 1) low liquidity; 2) evolution to omnichannel offer by competitors; 3) M&A disappointment.

Ratios

	priced on 16 October 2018			
	2017 *	2018E	2019E	2020E
P/E(x)	51.6	36.7	18.9	13.0
P/CF(x)	184.7	8.4	12.4	8.1
P/BV(x)	2.0	2.2	2.0	1.7
Dividend Yield	0.0%	0.0%	0.0%	0.0%
EV/EBITDA(x)	7.3	8.1	5.6	4.1
Debt/Equity (x)	-0.5	-0.4	-0.4	-0.4
Debt/EBITDA (x)	-2.5	-1.9	-1.4	-1.2

Source: UBI Banca Estimates * based on 2017 average price

Key Financials

(EURm)	2017	2018E	2019E	2020E
Revenues	26.4	35.3	44.8	52.8
EBITDA	2.9	3.6	5.2	6.8
EBIT	1.3	1.8	3.2	4.5
NOPAT	0.9	1.2	2.2	3.0
Free Cash Flow	-0.0	-1.9	0.2	1.3
Net Capital Employed	6.7	9.6	11.3	12.8
Shareholders' Equity	13.8	16.4	18.3	21.1
Net Financial Position	-7.3	-6.9	-7.1	-8.4

Source: Company data, UBI Banca estimates

Key Profitability Drivers

	2017	2018E	2019E	2020E
Net Debt/EBITDA (x)	-2.5	-1.9	-1.4	-1.2
Net Debt/Equity (x)	-0.5	-0.4	-0.4	-0.4
Interest Coverage (%)	0.0	0.0	0.0	0.0
Free Cash Flow Yield (%)	-0.0%	nm	0.5%	3.6%
ROE (%)	4.0%	6.0%	10.5%	13.3%
ROI pre-tax (%)	17.0%	19.1%	26.4%	31.8%
ROCE (%)	10.6%	12.8%	19.0%	23.8%

Source: Company data, UBI Banca estimates

Key Valuation Ratios

	2017 *	2018E	2019E	2020E
P/E (x)	51.6	36.7	18.9	13.0
P/BV (x)	2.0	2.2	2.0	1.7
P/CF (x)	184.7	8.4	12.4	8.1
Dividend Yield (%)	0.0%	0.0%	0.0%	0.0%
EV/Sales (x)	0.8	0.8	0.7	0.5
EV/EBITDA (x)	7.3	8.1	5.6	4.1
EV/EBIT (x)	16.4	16.1	9.1	6.2
EV/CE (x)	3.1	3.3	2.8	2.4

Source: Company data, UBI Banca estimates

* based on 2017 average price

Key Value Drivers

(%)	2017	2018E	2019E	2020E
Payout	0.0%	0.0%	0.0%	0.0%
NWC/Sales	-26.9%	-24.2%	-16.2%	-12.2%
Capex/Sales	-7.7%	-7.5%	-6.4%	-6.2%

Source: Company data, UBI Banca estimates

Investment Case

We initiate coverage of MailUp with a Buy rating and a target price of EUR3.63 per share, which implies upside potential of >50%.

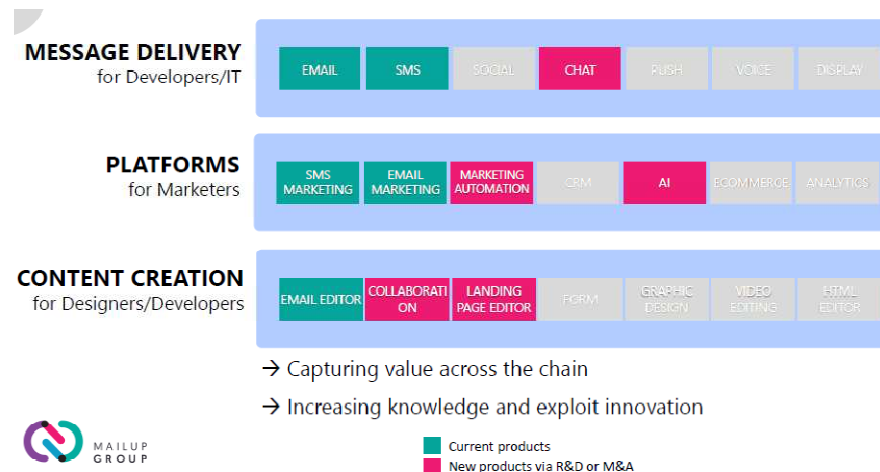
MailUp was listed on the Milan Stock Exchange, in the Italian AIM (Alternative Investment Market segment), in July 2014 at EUR1.92 per share raising EUR3 million of fresh financial resources. In July 2017, MailUp completed a share capital increase of EUR6 million by issuing 2.61 million new ordinary shares (approximately 23% of the pre-money share capital) at EUR2.3 per share; the accelerated book building reserved for “qualified investors” lead free-float to 33%.

MailUp is a leading cloud technology group active in the fast-growing online marketing technology industry offering a broad spectrum of solutions with a focus on data-driven multi-channel marketing automation. It was founded in Cremona in 2002 and has been profitable ever since. The Group served 18,600 direct customers, sent 13 billion messages per year across 115 countries and had 140 employees in 9 office locations around the world at the end of December 2017. On 30 June 2018, clients reached 20.700, messages exceeded 21 billion and international revenues amounted to 45% of total. Exposure to forex is limited to ca. 5% of total revenues.

The core activities are email and mobile messaging delivery which account for 95% of 2017 revenues. MailUp is one of the few players offering its solutions to both marketers (end-users) and developers via Software-as-a-Service (SaaS) based proprietary engines offering high quality, price competitiveness and generating sound recurring revenues cashed in upfront via subscriptions.

Figure 1. Group positioning

MailUp is one of the top ten companies in Europe in the field of marketing technologies. New products are developed via both R&D and M&A.

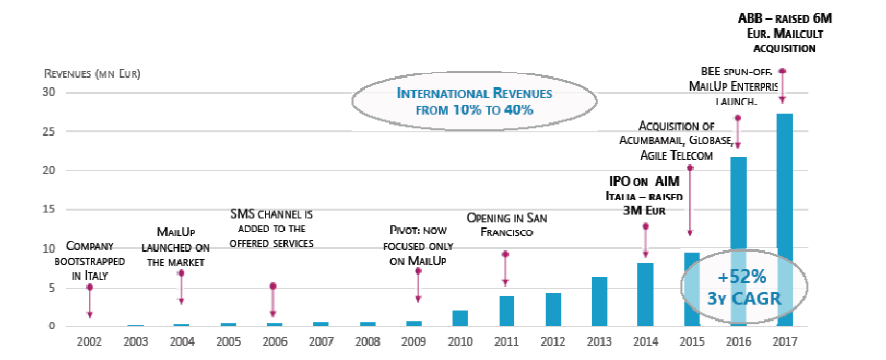


Source: Company presentation

The Group is scaling up from service provider to consultancy advisor to current customers by also offering innovative marketing technology solutions and professional consulting services. In addition, it developed sophisticated email editing tools offered by BEE (100%-controlled). All tools/solutions are offered unbundled or combined into more structured workflows and are provided in a highly synergic way to a well-diversified and distributed customer base.

Figure 2. Historical Milestones

MailUp grew both organically and via acquisitions and is now able to exploit important synergies among its business units.



Source: Company data

Over the past 4 years, MailUp has carried out a series of significant acquisitions to reinforce its market share in email delivery in Spain and Latam (Acumbamail SL) and in Northern Europe (Globase International ApS), to incorporate its SMS wholesale provider (Agile Telecom) and to enter into the Artificial Intelligence space (Datatrics).

Figure 3. Acquisition campaign in 2015-18

Target	Stake (%)	Target Country	Date	Price paid (EURm)	Acquisition Multiples
Datatrics	100%	Holland	19-Sep-18	3.8	10xSales
Acumbamail	30%	Spain	01-Aug-18	0.6	6.7xEBITDA, 2.8xSales
Agile Telecom	Earn-out	Italy	20-Jun-17	2.8	6.3xEBITDA, 0.6xSales
Agile Telecom	100%	Italy	05-Dec-15	6.0	0.8xSales, 6.9xEBITDA
Globase International	100%	Denmark	13-Nov-15	0.8	0.3xSles
Acumbamail	70%	Spain	03-Aug-15	0.5	2.7xSales/11xEBITDA

Source: Company data, UBI Banca estimates

We believe that MailUp is an attractive investment for the following reasons:

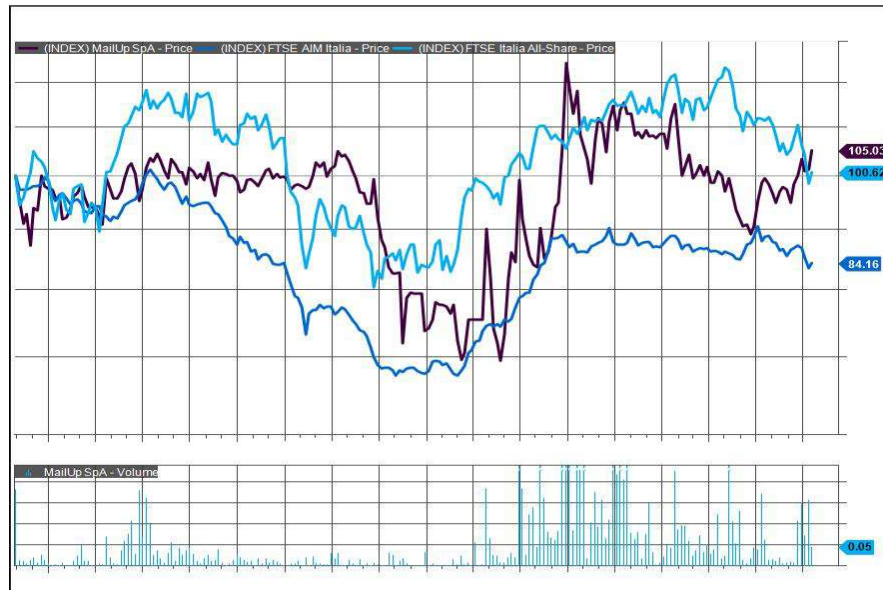
- > Consistent profitable revenues growth: 2015-2017 revenues and EBITDA CAGR were equal to 44% and 53% respectively. In 2017 the Group recorded double-digit organic growth in both top-line (+26% FY17) and EBITDA (+19% YoY). 1H18 closed with a 38%-jump in top line and 56% increase of EBITDA.
- > Compelling strategy: rapid product innovation supporting up and cross-selling opportunities.
- > Broad customer base: top 10 customers represent ca. 30% of revenues with diversification in size and industry across 18,600 customers as at end 2017.
- > Scalability of the platform: capacity serves customers as they grow and the Group has different solutions for companies of all sizes.
- > Healthy balance sheet: 2017 closed with EUR7.3 million net cash position and a cash conversion ratio (Operating FCF/EBITDA) above 70%. Net cash reached EUR8.9 million as at the end of June 2018.
- > Attractive industry growth: the MarTech sector (i.e. a cloud-based ecosystem of

marketing strategies, solutions, and tools) expanded by 40% this year (Source: *chiefmartech.com*). Email and SMS are respectively the most widely used and fastest growing digital marketing channels, increasingly used in combined marketing strategies. In particular, email marketing automation has proven superior ROI for marketers (5x greater ROI vs social media marketing according to eMarketer 2016), therefore the global email marketing market is expected to move from USD4.5 billion in 2016 to USD9.1 billion in 2020 (Source: *Transparency Market Research*).

- > Potential external growth opportunities: a market consolidation trend is ongoing as new channels (Messenger, Whatsapp, Telegram) add more opportunities and use of data/Artificial Intelligence is widening.

Since flotation MailUp has outperformed FTSE Italia AIM index and FTSE Italia All share index respectively by 21% and 5%. We believe that the key managerial actions to position the Group as a multichannel provider with AI services and the expectation of a potential value-creative acquisition should continue to drive up the share price in the medium-term.

Figure 4. Price performance vs. FTSE Italy AIM and FTSE Italia All Share since flotation (29 July 2014)



Source: Factset

Our DCF valuation is EUR3.63 per share. Mail Up is currently trading at 8x EV/EBITDA18E; it's European comparable company dotDigital, listed on London AIM, is trading at 18.5x EV/EBITDA18E. Although MailUp is much smaller than dotDigital (>EUR245 million market cap), in our view this huge liquidity discount appears unjustified given its potential superior growth opportunities from the integration of Datatrics and the take-off of the advisory activity which is already significant in the UK player.

Main risks: 1) low liquidity; 2) evolution to omnichannel offer by competitors; 3) M&A disappointment.

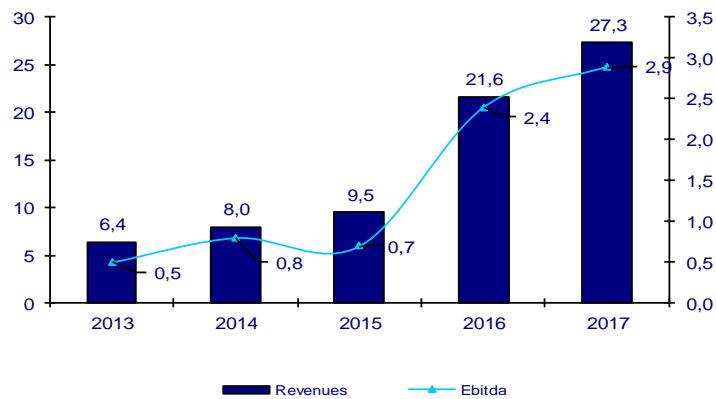
Company profile

MailUp was founded in 2002 and it is currently one of the top ten companies in Europe to provide SaaS-based marketing platforms that enable companies to create, test and send data-driven automated campaigns via email and SMS.

Since floatation in 2014, thanks to both organic growth and acquisitions, consolidated Value-of-production (VoP) has tripled reaching EUR27.3 million for the year to 31 December 2017; EBITDA has increased by >3.5x with EBITDA/VoP ratio rising to 10.5% in FY17.

Figure 5. 2013-2017 evolution of VoP and EBITDA/VoP ratio.

In 2017 sales and EBITDA organically grew by 26% and 19% respectively.

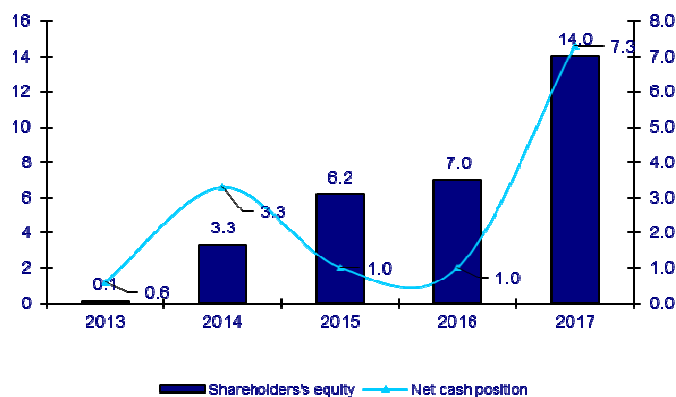


Source: Company data

Following EUR3 million fresh cash collected at the IPO in July 2014 and EUR6 million capital increased completed in July 2017, MailUp maintained a sound balance sheet despite acquisitions: EUR14 million shareholders' equity and EUR7.3 million net cash as at the end of December 2017.

Figure 6. MailUp – 2013-2017 evolution of shareholders's equity and net cash position.

Acquisitions were financed by capital injections completed in 2014 and 2017.

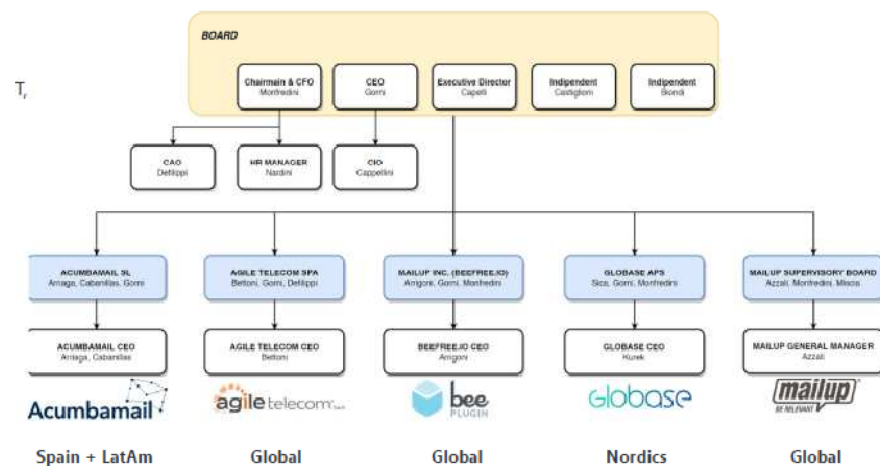


Source: Company data

MailUp structure involves the parent company MailUp SpA and four main subsidiaries: Acumbamail Srl, Agile Telecom SpA, MailUp Inc (BEE editor) and Globase APS.

Figure 7. Group structure

MailUp has five business units; offices are located in Milan, Cremona, Carpi, Ciudad Real, Copenhagen, San Francisco and Buenos Aires.



Source: Company presentation

MailUp SpA (www.mailup.com) was established in 2002 in Cremona (Italy) as an email service provider vendor. It now manages a multichannel digital cloud platform and is a market leader in the email and SMS marketing&automation in Italy and among the top ten players in Europe. It sent 12.6 billion messages per year and had >11,000 clients in 2017.

Agile Telecom SpA (www.agiletelecom.com) was founded in 1999 in Carpi (Italy) as an outright wholesale SMS factory. It is now a telecom provider (OLO – Other Licenced Operator) that offers SMS delivery for both promotional and transactional messages (One-Time password/Notifications/Alerts). It sent 380 million SMS per year and accounted 3700 clients in 2017.

Acumbamail SL (www.acumbamail.com) was established in 2012 in Ciudad Real (Spain). It is a Spanish based email marketing provider which also offers SMS packages and transactional services with a freemium business model addressed to micro-small enterprises. In 2017 sent 300 million emails and had 2,500 clients.

Globase APS (www.globase.com) was established in Denmark to deliver advanced digital marketing automation platforms and services to mid-large companies in Denmark, Norway, Sweden, Finland and Iceland. In 2017 it sent 300 million emails and accounted 124 customers.

MailUp Inc is the holding company controlling a 100%-stake of BEE (www.beefree.io). Best Email Editor company is a start-up based in Silicon Valley focused on the development and commercialization of the email editing tool BEE, which is becoming a world leading standard to create emails and landing pages.

MailUp SpA is the main contributor of EBITDA, followed by Agile Telecom.

Figure 8. FY17 VoP and EBITDA breakdown by business units

BEE is still a start-up while Globase is in the middle of a restructuring process centred on the progressive migration of customer base to the new V3 platform derived from MailUp.

(EURm, %)	VoP	% Total	EBITDA	% Total
MailUp	11.7	43.0%	2.75	94.8%
Agile Telecom	14.7	54.0%	1.35	46.6%
Acumbamail	0.7	2.6%	0.3	10.3%
BEE	0.6	2.2%	0.0	0.0%
Globase	1	3.7%	-0.5	-17.2%
Holding	1.1	4.0%	-1.0	-34.5%
Elisions	-2.6	-9.6%	0.0	
Total	27.3	100.0%	2.9	100.0%

Source: Company data

In terms of business lines, email represents ca. 35% of total revenues. Consultancy revenues are still less than 5% of total sales.

Figure 9. FY17 VoP breakdown by business line

(EURm, %)	VoP	% of total
email	9.4	34.5%
SMS	15.9	58.3%
Professional services	0.6	2.2%
BEE revenues	0.5	1.8%
Others	0.9	3.2%
Total	27.3	100.0%

Source: Company data

Shareholder structure

The company is controlled and managed by the founders Mr. Luca Azzali (Director Business Unit MailUp), Mr. Alberto Miscia (Manager BU MailUp), Mr. Nazzareno Gorni (Chief Executive Officer), Mr. Matteo Monfredini (Chairman and Chief Financial Officer) and Mr. Matteo Bettoni (Director BU Agile Telecom), who together control ca. 58% of MailUp. After the founders and management team, the second largest shareholder is Zoidberg Srl, the previous shareholders of Agile Telecom which was acquired in 2015.

The board of directors is composed of five members of which two are independent. The total remuneration of the board in 2017 was EUR0.9 million p.a.. Stripping out this remuneration, EBITDA would have reached EUR3.8 million with a 14.3% margin.

Total outstanding ordinary shares are 14.273.307; currently treasury stock amounts to 62,400 (0.44% of total capital) at an average price of EUR2.19 per share.

Figure 10. Shareholder structure

MailUp was listed on the AIM Italia market in July 2014. Following EUR6 million capital increase completed in July 2016, free-float reached 33%.

Shareholders	# of shares (m)	% stake
Luca Azzali (Director BU MailUp)	1.66	11.6%
Nazzareno Gorni (CEO)	1.65	11.6%
Alberto Miscia (Manager BU MailUp)	1.66	11.6%
Matteo Monfredini (Chairman)	1.64	11.5%
Matteo Bettoni (Director BU Agile Telecom)	1.63	11.5%
Zoidberg Srl	1.09	7.6%
Employees	0.27	1.9%
Treasury shares	0.06	0.4%
Market	4.63	32.4%
Total	14.27	100.0%

Source: Company data as at 18 September 2018

We highlight that the acquisition of Datatrics will be paid for EUR1.56 million via dedicated capital increase at a subscription price equal to the 90-trading-day period ending two days prior to the closing date (EUR2.25 until 15 October). Earn-out will be granted up to EUR3 million to be paid in shares based on sales evolution in the next 4 years at the same price.

If we assume an issue price of EUR2.25, we estimate potential 2 million new shares to be issued in the next 4 years (691,258 by end-2018), which would imply that Datatrics' shareholders would own 12% of total MailUp's shares. Lock-up on both the newly issued shares and the earn-out shares will be for a total duration between 36 and 62 months from the closing of the transaction.

Figure 11. Shareholder structure after the acquisition of Datatrics

The issue of shares to pay Datatric's shareholders is estimated to give them a 4.6% stake in MailUp by year end. In case of total earn-out in the next four years they could reach 12% of the Group.

Shareholders	Without earn-out		With earn-out	
	# of shares (m)	% stake	# of shares (m)	% stake
Luca Azzali	1.66	11.1%	1.66	10.1%
Alberto Miscia	1.65	11.0%	1.65	10.1%
Nazzareno Gorni	1.66	11.1%	1.66	10.2%
Matteo Monfredini	1.64	10.9%	1.64	10.0%
Matteo Bettoni	1.63	10.9%	1.63	10.0%
Zoidberg Srl	1.09	7.3%	1.09	6.7%
Employees	0.27	1.8%	0.27	1.7%
Treasury shares	0.06	0.4%	0.06	0.4%
Datatric's shareholders	0.69	4.6%	2.02	12.4%
Market	4.63	30.9%	4.63	28.4%
Total	14.98	100.0%	16.31	100.0%

Source: UBI Banca estimates

Strategy

MailUp's strategy mainly focuses on developing its business and services through a profitable growth process centred on the following actions:

- evolution of MailUp's proprietary platform towards multichannel and co-operative approach, with improvement mainly in relation to mobile marketing with the introduction of new channels, 1:1 customization of messages, improved automation functionalities and dynamic content management in accordance with the new European regulation GDPR;
- introduction of new automation features and premium version "AcumbamailPro" by Acumbamail;
- introduction of new price calculations of SMS costs offered by different suppliers and the stipulation of new interconnection agreements by Agile Telecom;
- progressive migration of existing Globase customers to the new V3 platform derived from MailUp and increase in customer base;
- introduction of services dedicated to the Enterprise segment and creation of new ways of using services, such as landing page, by BEEPro and BEEPlugin platform;
- acquisitions of controlling or minority-stakes in companies providing software, systems and technologies related to marketing on cloud to expand the service portfolio;
- acquisitions of foreign companies to allow entry into new geographical areas.

In order to position MailUp in the segment of digital marketing hubs and customer data platforms, on 19 September the Group announced to have signed a binding agreement for the acquisition of 100% of Datatrics B.V., a Dutch company founded in 2012 that developed a state-of-the-art predictive marketing platform based on Artificial Intelligence technology. Its focus is making data-science accessible to marketers by collecting data through a self-learning algorithm that combines data from both internal (CRM, email, social network, ecommerce, web analytics) and external (demographics, weather, traffic) sources. The closing is expected by the end of October 2018.

According to our estimates, net cash position would remain close to EUR7 million at the end of 2018, leaving room for potential further acquisitions.

The digital marketing sector

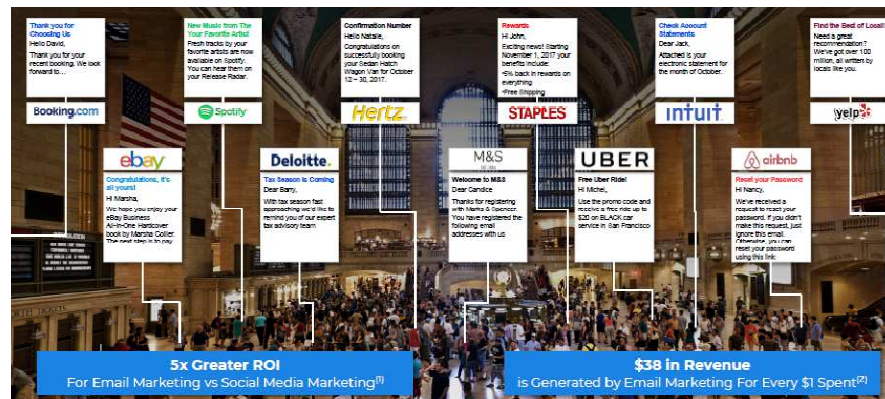
Mar-Tech sector, which involves all major initiatives and tools that harness technology to achieve marketing goals and objectives, has seen an exponential growth, moving from 150 applications solutions in 2011 to over 7,000 in 2018.

MailUp is mostly placed in the following segments: email marketing, mobile marketing and marketing automation segment i.e. complex software platforms and technologies designed for marketing departments and organizations to more effectively market on multiples channels online such as email, social media and websites and automate repetitive tasks.

Among marketing channels, email is one of the most popular because it delivers a return of investment of USD38 for every USD1 spent (Source: 2015 Direct Marketing Association report).

Figure 12. Picture of effective use by digital companies.

The digital world revolves around email.



Source: SendGrid elaboration of 2016 eMarketer and 2015 Direct Marketing Association report data

Today there are over 3.8 billion email users worldwide, which are expected to grow to over 4.2 billion by year-end 2022. Revenues are expected to total over USD38.1 billion in 2018 and will grow to over USD64.2 billion by year-end 2022, equal to an average annual growth rate of 18% (Source: Email market, 2018-2022 Radicati Group).

Figure 13. Worldwide Email market forecast 2018E-2022E

Growth will be driven by the migration from on-premises mailboxes to cloud mailboxes

	2018E	2019E	2020E	2021E	2022E
Worldwide Email Users (m)	3,823	3,930	4,037	4,147	4,258
YoY growth		2.8%	2.7%	2.7%	2.7%
Worldwide Email market revenues (USDm)	33,128	39,633	46,941	55,142	64,269
YoY growth		19.6%	18.4%	17.5%	16.6%
Worldwide Email per day (bn)	281	294	306	320	333
YoY growth		4.4%	4.4%	4.3%	4.3%

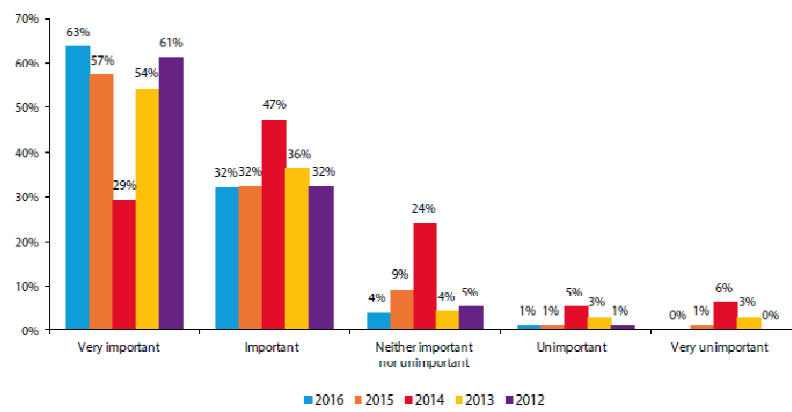
Source: Radicati Group, June 2018.

Email remains the bedrock of digital marketing: 95% of marketers agree that email is “important” or “very important” for their marketing strategy (Source: DMA Insight: Marketer email tracking study 2017).

However, managing email delivery is hard because it requires to dominate expertise and resources to manage transactional and marketing email at scale as well as analyse end user behaviour. In addition, 20% of wanted email does not reach its intended recipient (Source: 2017 Return Path report) and ensuring GDPR compliance is tougher and tougher.

Figure 14. Importance of email marketing for marketers

In 2016 marketers saying email was “important” or “very important” recorded a record percentage of 95.

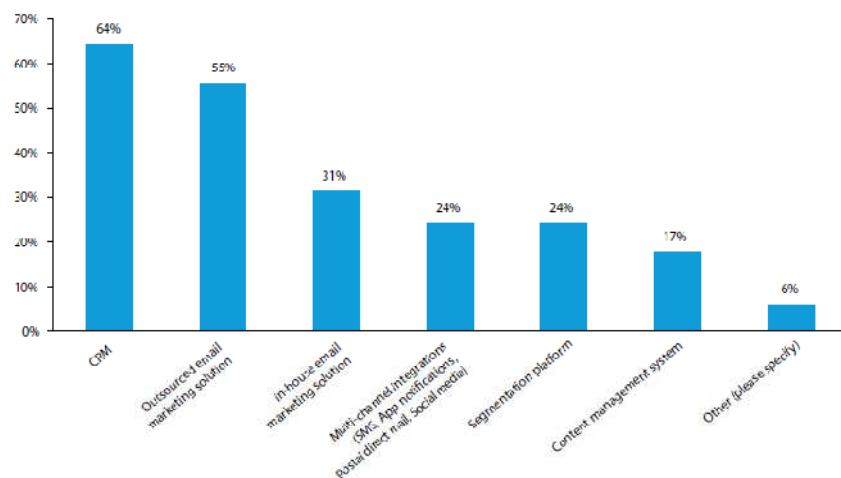


Source: DMA Insight: Marketer email tracking study 2017

Email is used most with CRM systems and outsourced technologies. However, almost one-third still use an in-house solution which may limit its effectiveness and leave significant space for growth.

Figure 15. Technology involved in email marketing programmes by marketers

Addressable market is still significant considering the high level of in-house solutions.

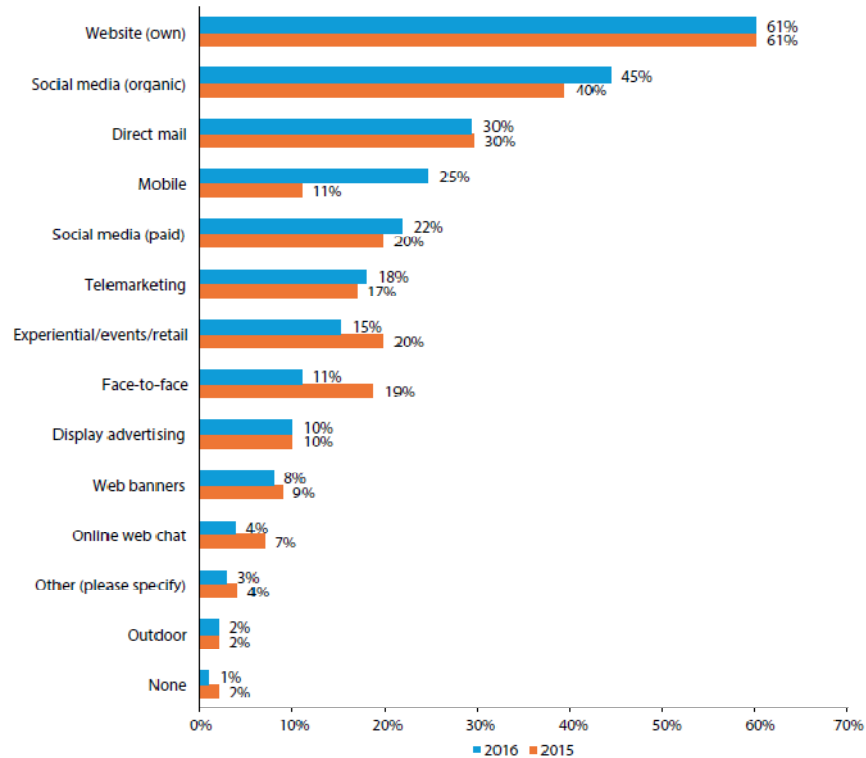


Source: DMA Insight: Marketer email tracking study 2017

Latest surveys show that marketers saying that email works best with mobile have doubled reaching 25%.

Figure 16. Favourable channels to integrate with email by marketers

Email works well, but it works better in combination with other marketing channels.



Source: DMA Insight: Marketer email tracking study 2017

The main technological trend that is currently affecting Mar-Tech is aimed at exploiting the potentials deriving from the collection of Big Data through Artificial Intelligence (AI) which allows the extraction of increasingly significant indicators, optimizing the customization of marketing campaigns and providing scalable solutions.

In terms of market structure, market is under fast consolidation and M&A activity is expected to intensify to guarantee high performance and reliability, cross-selling of different lines of services, integration of consulting and planning services and evolution of omnichannel platforms.

In mid-October, Twilio (>USD7.5 billion market cap) and SendGrid (>USD1.45 billion market cap) announced to have entered into an agreement for Twilio to acquire SendGrid in an all-stock transaction at the exchange rate of 0.485 Twilio share for every SendGrid share (14% premium over the average exchange ratio for the ten calendar days ending 15 October 2018); closing is expected in the first half of 2019. SendGrid is trading >100xEBITDA18E (Source: FactSet).

The deal will combine the leading email API platform to the leading cloud communication platform to offer developers a single, best-in-class platform to manage all the important communication channels.

Figure 17. 2015-2018 M&A transactions in the digital marketing arena

Italian players are addressing their efforts in increasing ARPU of domestic clients by widening their product range; MailUp's direct international competitors are focusing on omnichannel solutions.

Target	Acquirer	Stake (%)	Country	Date	Price paid	Multiples	Activity
Black Office	Digitouch	81%	Italy	28-May-15	Not Available	Not Available	Financial services
CRM	Digitouch	100%	Italy	08-Jul-15	EUR3.1m	Not Available	Advertising agency
Acumbamail	MailUp	70%	Spain	03-Aug-15	EUR0,5m	2,7xSales, 11xEbitda	Email marketing
Globase International	MailUp	100%	Denmark	13-Nov-15	EUR0.8m	0,3xSales	Email marketing
Agile Telecom	MailUp	100%	Italy	05-Dec-15	EUR6m	0,8xSales, 6,9xEbitda	Mobile marketing
MediaMob	Mobyt	51%	Italy	08-Jan-16	EUR1.3m	0.85xsale	Digital marketing service
Optimizer Group	Digitouch	100%	Italy	29-Jan-16	EUR1.4m	1.1xSales	Website development
Fully Commerce	Triboo	100%	Italy	20-Oct-16	EUR1.2m	6.2xSales	E-store design and management services
Shiny	Triboo	51%	Italy	30-Jan-17	EUR1.5m	Not Available	Consulting and advertising services
JCKM	SendGrid	100%	Global	07-Mar-17	Not Available	Not Available	Omnichannel platform (Bizzy)
E-Photo	Triboo	51%	Italy	21-Mar-17	EUR1m	1.1xSales	Photo service for ecommerce
Agile Telecom	MailUp	Earn-out	Italy	20-Jun-17	EUR2.8m	6.3xEBITDA, 0.6xSales	Mobile marketing
Comapi	dotDigital	100%	UK	22-Nov-17	USD15.6m	1.5xEV/Sales	Cloud platform for SMS
Audience SRL	Bango	98%	Italy	24-Jan-18	EUR2.8m	Not Available	Data analysis services
Nunatac	Alkemy	70%	Italy	15-Mar-18	EUR7m	Not Available	Data analysis services
Kreativa new Formula	Alkemy	51%	Balkan	28-Apr-18	Not Available	Not Available	Marketing services
Friendz Srl	Friendz SA	20%	Italy	18-May-18	EUR3m	Not Available	Digital marketin services
East Media	Triboo	51%	Italy	16-Jul-18	Not Available	Not Available	Digital marketing in China and russia
SuitApp	Triboo	12%	Italy	16-Jul-18	Not Available	Not Available	Package software
Net2b	Triboo	100%	Italy	01-Aug-18	Not Available	Not Available	Catalog
Ontwice Int. Service	Alkemy	51%	Spain	19-Jul-18	EUR5.6m	0.55xSales	Digital agency services
Acumbamail	MailUp	30%	Spain	01-Aug-18	EUR0.6m	6.7xEBITDA, 2.8xSales	Email marketing
Datatrix	MailUp	100%	Holland	19-Sep-18	EUR3.8m	12.7xSales	Data analysis services
SendGrid	Twilio	100%	US	15-Oct-18	USD2bn	8.7xSales, 100xEbitda	Email marketing

Source: UBI Banca elaboration of company data

SWOT Analysis

Figure 18 - SWOT Analysis

Strengths	Weaknesses
Highly talented and motivated people	Dependence on key talents
Digital communication platforms for companies of all sizes.	High goodwill (EUR9.8 million at end 2017 equal to ca. 30% of market cap)
Solid client base: Tier-1 companies in different industries	Small size compared to competitors
Scalable business	Undeveloped strategy of partnership with CRM and ecommerce players
Good M&A track record	
Opportunities	Threats
Expansion outside Italy, particularly in the US and in Europe	Innovation move to omnichannel and AI
Significant cross-selling opportunities into existing customers base	Scarcity of talented personnel
Potential M&A to expand product offering	Increasing competition in Nordics by dotDigital which entered the market in 2017
Expand partner ecosystem	Increasing regulatory requirements and connected reputational risk
Be integrated into a leading communication digitalplayer	

Source: UBI Banca estimates

Recent developments

2017 and first half 2018 results

MailUp closed FY17 with consolidated revenues at EUR26.4 million (>26.5% YoY rise) driven by significant growth in both SMS and email delivery (respectively +39% to EUR15.9 million and +11% YoY to EUR9.4 million). BEE revenues doubled to EUR0.5 million while professional services declined (-25% YoY to EUR0.6 million) due to Globase platform, which is in the middle of a turnaround migrating customers to MailUp's platform. Total Value of Production reached EUR27.3 million, up EUR5.6 million or 26% YoY.

Consolidated EBITDA rose by 19% to EUR2.9 million, equal to an EBITDA margin at 10.9%, while EBIT growth at +8% YoY was jeopardized by EUR0.4 million greater D&A caused by the Big data Analytics project fully implemented since 2017. We highlight that part of R&D personnel costs are capitalized (and amortized over 5 years). In 2017 capitalised R&D payroll cost amounted to EUR1.3 million and R&D amortisation to EUR1.2 million. Net profit declined by EUR0.2 million to EUR0.55 million as a consequence of higher tax burden (49% tax rate).

2017 net cash position was equal to EUR7.3 million following EUR6 million cash collected in July via a capital increase aimed to finance potential M&A deals. Total shareholder's equity amounted to EUR13.9 million. Fixed assets were broadly stable at EUR15 million of which EUR9.9 million goodwill (mainly from Agile Telecom which is equal to EUR8.3 million).

Figure 19 - 2016 and 2017 results

Margins were hurt by the cost of restructuring of Globase, lower profitability of Agile Telecom and higher D&A due to investments in MailUp platform and Big Data Analytics.

(EURm)	FY16	FY17	% change
Revenues	20.9	26.4	26.7%
Email	8.5	9.4	
SMS	11.4	15.9	
Professional services	0.8	0.6	
BEE revenues	0.2	0.5	
VoP	21.6	27.3	26.2%
EBITDA	2.4	2.9	19.3%
EBITDA margin	11.6%	10.9%	
EBIT	1.2	1.3	7.9%
EBIT margin	5.7%	4.8%	
Net Profit/loss	0.78	0.55	-29.7%
Net Profit margin	3.7%	2.1%	
Net debt/(Cash)	(1.0)	(7.3)	
EBITDA margin	11.6%	10.9%	
EBIT margin	5.7%	4.8%	
Net Profit margin	3.7%	2.1%	

Source: Company data

In the first half of 2018, MailUp posted a 38% increase in Value-of-Production to EUR18 million, driven by SMS line (+59% YoY to EUR12 million) thanks to the excellent performance of Agile Telecom where authentication business played the lion's share in supporting growth. BEE editor posted a substantial growth (+132% YoY) thanks to the rapid recognition of the products.

Consolidated EBITDA amounted to EUR1.87 million (+56% YoY) with margin up 150bp. Globase completed its turn-around contributing by EUR0.2 million to the profitability improvement. BEE EBITDA improvement was EUR0.3 million.

Net profit more than doubled to EUR0.5 million; net cash moved from EUR7.3 million at the end of December 2017 to EUR8.9 million after EUR1.4 million capex, thanks to EUR2.7 million operating cash flow of which EUR0.5 million due to positive change in net working capital.

Figure 20 – 1H17 and 1H18 results

(EURm)	1H17	1H18	% change
Revenues	12.6	17.7	40.2%
Email	4.7	5.1	
SMS	7.5	12.0	
Professional services	0.2	0.2	
BEE revenues	0.2	0.4	
VoP	13.1	18.0	37.8%
EBITDA	1.2	1.9	55.8%
EBITDA margin	9.5%	10.5%	
EBIT	0.5	1.0	107.6%
EBIT margin	3.8%	5.7%	
Net Profit/loss	0.2	0.5	225.3%
Net Profit margin	1.2%	2.9%	
Net debt/(Cash)	(2.0)	(8.9)	
EBITDA margin	9.5%	10.5%	
EBIT margin	3.8%	5.7%	
Net Profit margin	1.2%	2.9%	

Source: Company data

R&D project “NIMP - New Innovative Multilateral Platform”

In July 2018, MailUp received confirmation of EUR5.1 million 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 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 EUR3.5 million from Cassa Depositi e Prestiti and a market standard loan of EUR0.4 million from Banca Popolare dell’Emilia Romagna; (ii) a non-refundable loan of EUR1.3 million. Funds will be available ex post, based on appropriate documentation of actual costs and investments for the period 1 March 2018 – 28 February 2021.

The proposed project will allow the Company to enhance its competitive positioning in the relational marketing area by developing new services and functions integrated within the MailUp platform, such as real-time content customisation, automation and multichannel approach (SMS, email, social, chat, etc).

Acquisition of Datatrics

On 19 September 2018, MailUp announced the acquisition of Datatrics, which is expected to be closed by the end of October.

Datatrics recorded EUR0.3 million revenues in 2017 and is currently serving 100 corporate clients including first tier players like Siemens, LeasePlan, KLM, PostNL, British Petroleum, CarGlass and Rabobank.

The integration of Datatrics B.V. into the MailUp platform, will allow the Italian company to offer to marketers an immediate and measurable uplift in results as its solution is able to predict the best content to be delivered on the best channel at the right moment but also which is the best way to influence customers maximizing the conversion of a message. The Group estimates that the new solution would increase redemption rate from 10 to 40%, therefore increasing the potential value of its service up to 10x.

The price tag of EUR3.8 million will be paid as follows: (1) EUR2.24 million in cash to be paid 1/3 at closing and for the residual part in four tranches within 24 months from the closing date; (2) EUR1.56 million through new shares without pre-emptive right issues at a price equal to the weighted average price of MailUp shares for the 90-trading-day period ending two days prior to the closing date.

An earn-out provision will be granted to the sellers up to EUR3 million to be paid in new shares of MailUp, contingent on Datatrics to achieve certain average monthly sales target on a maximum time of 4 years. Datatrics' founder, Mr Bas Nieland, will be paid exclusively via MailUp's shares and will maintain his role as CEO.

Lock-up on both the newly issued shares and the earn-out shares will be for a total duration between 36 and 62 months from the closing of the transaction. Regarding the earn-out, the binding agreement specifies that anticipated payment of effectively accrued earn-out will be due in the following cases: (a) a total takeover bid on MailUp at a price at least equal to the weighted average share price on AIM Italian over the last 12 months; (b) the merger of MailUp into another company; (c) Datatrics would be sold to a third party for a price in excess of the purchase price of the target plus the earn-out (if applicable).

Financial projections

EBITDA margin 2022E above 14%

Following the acquisition of Datatrics, we assume a significant growth in MailUp's revenues thanks to upselling on a few top clients. At the moment, the average ARPU of Datatrics is EUR12,000 compared to EUR1,200 of MailUp's customer base. Thanks to the integration in MailUp Group, we estimate Datatrics' revenues to move from EUR1.4 million forecast for 2018 to EUR8.5 million in 2022E.

Figure 21 – Revenues, EBITDA and EBIT margin trend

The Group is aimed to integrate more sophisticated professional services to boost growth.						
Datatrics (EURm)	2017	2018E	2019E	2020E	2021E	2022E
Datatrics clients	77.0	120	200	360	480	580
ARPU (EUR)		12,000	12,000	12,000	12,000	12,000
Revenues stand alone	0.3	1.4	2.4	4.3	5.8	7.0
Upselling on MailUp clients			50	100	120	130
ARPU (EUR)			12,000	12,000	12,000	12,000
Revenues			0.6	1.2	1.4	1.6

Source: Company data, UBI Banca estimates

Regarding 2019, we are expecting still double digit growth in all business lines, with the exception of Globase which completed turn-around. Revenues CAGR 17-22E is estimated at 20%.

Figure 22. Revenues breakdown by segments in 2017-2022E.

For SMS we assume mainly volume growth. We estimate combined revenues by Datatrics and other services to increase from 5% in 2018 to ca. 18% in 2022.

(EURm)	2017	2018E	2019E	2020E	2021E	2022E
Total Revenues (Consolidated)	26.4	35.3	44.8	52.8	59.5	65.5
email	9.4	10.8	11.9	13.1	14.5	16.1
SMS	15.9	23.1	27.7	31.9	35.1	37.9
Professional services	0.6	0.5	0.8	0.9	0.9	1.0
BEE revenues	0.5	1.0	2.0	2.7	3.2	3.6
Datatrics contribution		0.2	2.4	4.3	5.8	7.0
Revenue Growth %	26.7%	33.6%	26.9%	17.9%	12.5%	10.2%
Mail	11.3%	14.0%	10.6%	10.1%	11.0%	10.7%
SMS	39.2%	45.0%	20.0%	15.0%	10.0%	8.0%
Professional services	-25.7%	-15.1%	60.0%	6.3%	5.9%	11.1%
BEE revenues	212.7%	98.5%	108.3%	35.0%	18.5%	12.5%
Datatrics			900.0%	80.0%	33.3%	20.8%
Weight in %						
Mail	35.7%	30.4%	26.5%	24.8%	24.4%	24.6%
SMS	60.3%	65.4%	61.9%	60.3%	59.0%	57.8%
Professional services	2.2%	1.4%	1.8%	1.6%	1.5%	1.5%
BEE revenues	1.8%	2.7%	4.5%	5.1%	5.4%	5.5%
Datatrics		0.7%	5.4%	8.2%	9.7%	10.6%

Source: Company data, UBI Banca estimates

In 2019, we are expecting an increase in the weight of costs of production due to stronger contribution of Agile Telecom on revenues and consequently higher weight of cost of SMS on total. Cost of production CAGR 17-22E is forecasted at 19%.

Figure 23. Operating costs breakdown in 2017-2022E

We forecast a physiological increase in G&A due to the integration of Datatrics, which is expected to need a more structured organisation to follow its strong growth. Variable costs related mainly to SMS package bought by Agile Telecom; since 2019 they are expected to decrease their weight on total revenues due lower contribution of Agile Telecom to consolidated sales.

(EURm)	2017	2018E	2019E	2020E	2021E	2022E
Variable Costs of Production	13.8	19.8	24.2	28.0	31.1	33.9
% total revenues	52.0%	56.0%	54.0%	53.0%	52.3%	51.8%
Marketing and commercial costs	1.0	1.2	1.8	2.2	2.6	3.0
% total revenues	3.9%	3.5%	4.0%	4.2%	4.4%	4.6%
General and administrative costs	2.3	4.1	5.4	6.2	6.9	7.5
% total revenues	8.7%	11.5%	12.0%	11.8%	11.6%	11.4%
Labour cost	7.4	7.7	9.5	11.1	12.4	13.5
% total revenues	27.8%	21.7%	21.3%	21.1%	20.9%	20.6%
Total Costs	24.4	32.8	40.9	47.6	53.1	57.9

Source: Company data, UBI Banca estimates

Operating leverage is expected to drive EBITDA margin from c.a. 11% in 2017 to >14% in 2022 with a 2017-2022E CAGR of 27%.

Figure 24. Evolution of operating results in 2017-2022E.

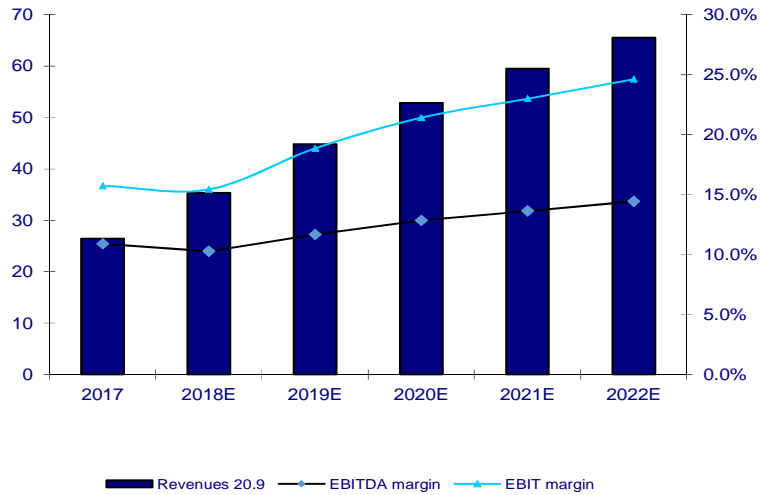
2018 costs incorporate EUR0.2 million cost for the acquisition of Datatrics.

Operating breakdown (EURm)	2017	2018E	2019E	2020E	2021E	2022E
Revenues	26.4	35.3	44.8	52.8	59.5	65.5
yoy growth	26.7%	33.6%	26.9%	17.9%	12.5%	10.2%
Other revenues	0.9	1.1	1.3	1.5	1.7	1.8
% on sales	3.3%	3.0%	3.0%	2.9%	2.9%	2.8%
Value of Production	27.3	36.4	46.1	54.4	61.2	67.4
Industrial costs (Marketing & Variable Costs)	14.8	21.0	26.0	30.2	33.7	37.0
% on sales	56.0%	59.5%	58.0%	57.2%	56.7%	56.4%
Industrial Value Added (IAV)	12.5	15.4	20.1	24.1	27.4	30.4
% on sales	47.4%	43.5%	45.0%	45.7%	46.2%	46.4%
Other operating costs	2.3	4.1	5.4	6.2	6.9	7.5
% on sales	8.7%	11.5%	12.0%	11.8%	11.6%	11.4%
Value added	10.2	11.3	14.8	17.9	20.5	22.9
% on sales	38.7%	32.0%	33.0%	33.9%	34.6%	35.0%
Labour costs	7.4	7.7	9.5	11.1	12.4	13.5
% on sales	27.8%	21.7%	21.3%	21.1%	20.9%	20.6%
EBITDA	2.9	3.6	5.2	6.8	8.1	9.5
% on sales	10.9%	10.3%	11.7%	12.8%	13.6%	14.4%

Source: Company data, UBI Banca estimates

D&A costs are expected to move from EUR1.6 million in 2017 to EUR2.8 million in 2022 facing cumulative CAPEX 2017-2022E at EUR16 million.

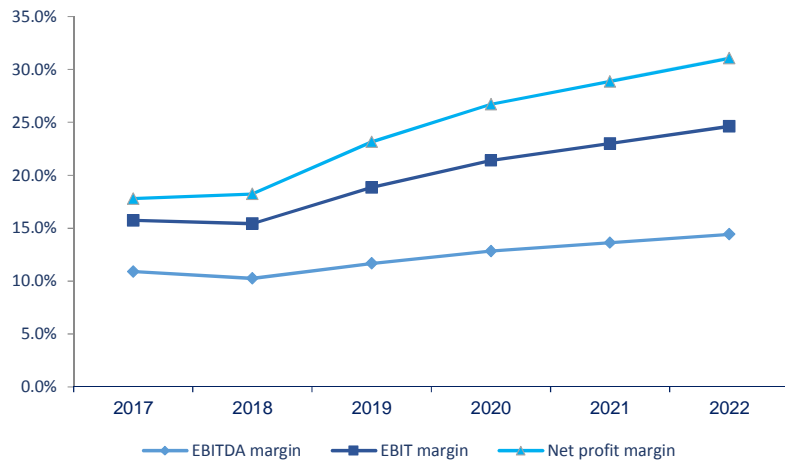
Figure 25. Revenues, EBITDA and EBIT margin trend in 2017-2022E (EURm, %)



Source: Company data, UBI Banca estimates

Tax rate is forecast decreasing from 49% in 2017 to 45% in 2018, 40% in 2019 and 36% in 2022.

Figure 26. EBITDA and EBIT and net profit margin trend in 2017-2022E (%)

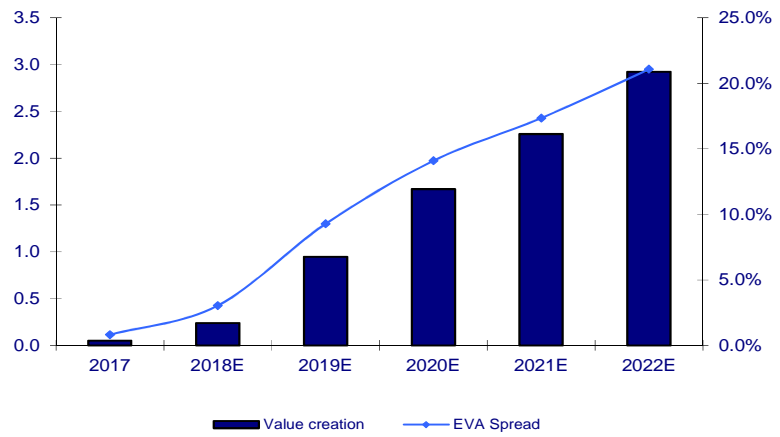


Source: Company data, UBI Banca estimates

FCF in 2018 and 2019 incorporate respectively EUR0.8 million and EUR0.6 million payments due to Zoidberg Srl as earn-out for the acquisition of Agile Telecom which are recorded as non-financial short term debt. 2019 is impacted by EUR0.75 million cash-out for the acquisition of Datatrics and EUR0.6 million cash-out for the residual stake of Acumbamail.

The chart below shows that MailUp has shown consistent value creation since 2016 and clearly demonstrates that all the initiatives undertaken by the company have been value creative despite some of them being highly capital intensive.

Figure 30. EVA Spread and value creation (EURm, %)



Source: UBI Banca estimates

Valuation

Our target price of EUR3.63 per share for MailUp is obtained from a DCF valuation. We have used peers' analysis as a sanity check. At the moment, we are not incorporating the potential dilution due to EUR3 million earn-out to be paid in the next 4 years to Datatrics' shareholders which would lead to a total 9% dilutive effect.

At our EUR3.63 per share target price, MailUp would trade at 8.9x 2019 EV/EBITDA, which would imply above 37% discount to its comparable UK player dotDigital.

Figure 31. Implicit multiples based on our EUR3.63 target price

(x)	2018E	2019E	2020E
P/E	54.7	28.2	19.3
EV/EBITDA	12.9	8.9	6.9
EV/EBIT	25.6	14.5	10.3
EV/Sales	1.3	1.0	0.9
P/BV	3.3	2.9	2.6
EV/ Capital employed	4.9	4.1	3.6

Source: UBI Banca estimates

DCF

To calculate the company's WACC, we used the following assumptions:

- > a risk-free rate of 3.5%, which is the 10Y interest rate on Italian bonds;
- > a market risk premium of 4.5%;
- > a beta of 1.39 (beta 3Y in FTSE AIM Italia calculated by Factset);
- > a terminal growth rate of 2% and an operating margin of 10.8% at terminal value;
- > A debt/equity ratio of 0.

To estimate total number of shares as at 31 December 2018, we assume that EUR1.56 million capital increase dedicated to Datatrics's shareholders would be executed at EUR2.25 per share (average 90-days share price until 15 October) such leading to the issue of 691,577 new shares; therefore total number of shares would be equal to 14.846.158.

Figure 32. WACC and embedded DCF assumptions

WACC assumptions		Embedded DCF assumptions	
Risk-free rate	3.5%	Revenue CAGR 2017-2022 (%)	19.9%
Debt spread (%)		Target EBIT margin 2022 (%)	10.2%
Cost of debt [net] (%)		D&A. on sales (avg. 2018-2022) (%)	4.5%
Market risk premium (%)	4.5%	Capex on sales (avg. 2018-2022) (%)	6.3%
Beta (x)	1.40	Revenue CAGR 2023-2026 (%)	4.3%
Cost of equity (%)	9.9%	Target EBIT margin 2026 (%)	11.6%
Weight of Debt	0%	D&A. on sales (avg. 2023-2026) (%)	4.5%
Weight of Equity	100%	Capex on sales (avg. 2023-2026) (%)	5.3%
WACC	9.9%		

Source: UBI Banca estimates

We estimate a WACC of 9.9%, obtaining a theoretical value of EUR3.63 per share.

Figure 33. DCF Valuation

Our DCF valuation implies an EV/EBIT 2019E of 8.5x

	Valuation (EURm)	% Weight	Per share (EUR)
Sum of PV 2018-22 FCF	3.90	8%	0.26
Sum of PV 2023-26 FCF	10.72	23%	0.72
Terminal Value	32.15	69%	2.15
Total Enterprise value	46.78	100%	3.14
- minorities	(0.12)		(0.01)
- financial assets	0.24		0.02
- Net cash (debt)	7.27		0.49
Total Equity value	54.2		3.63
Number of shares outstanding (m)	14.90		
Fair value per share (EUR)	3.63		

Source: UBI Banca estimates

We have also carried out a sensitivity analysis which shows the changes to our fair value according to changes in the WACC and to cumulative changes ranging between -4% and +4% to our EBITDA estimates.

Figure 34. Sensitivity analysis of WACC and 2018E-2021E CAGR on EBITDA

A Rfr of 4% increases WACC to 10.3% and decreases TP to EUR3.4 (-6%).

WACC	EBITDA CAGR 2018-21				
	-4.0%	-2.0%	0.00%	+2.0%	+4.0%
10.8%	2.67	2.93	3.20	3.48	3.77
10.3%	2.84	3.12	3.40	3.70	4.01
9.8%	3.03	3.33	3.63	3.95	4.29
9.3%	3.25	3.57	3.90	4.24	4.60
8.8%	3.51	3.85	4.21	4.58	4.96

Source: UBI Banca estimates

Relative valuation

We have compared MailUp with a panel of peers.

Among Italian companies MailUp has no pure comparable peers that are listed, although there are a few companies listed in AIM/MTA segments there are active in MarTech sector:

Triboo (MTA since July 2018): it is a digital ecosystem company which provides e-commerce, online marketing and advertising services. Its services include digital consulting, digital marketing, digital integration and development, e-commerce management, content development, audience and monetization.

Digitouch (AIM): it is a holding company which engages in the digital advertising business. It provides independent concessionaires for advertisements in mobiles and new devices, purchases advertising space on behalf of its clients, creates online performance-based advertising campaigns, provides the strategic consulting

for online and offline media planning and operates as a mobile data profiler that collects and examines data of mobile users from mobile operators for the benefit of advertisers.

Alkemy (AIM): it provides marketing and information technology consulting services. Its Digital Enabler model provides business to business digital services and a reference point for skills, performance, completeness of the offer and size.

Looking abroad, MailUp has the following comparable peers whose main business is the provisions of platforms for marketing emails which are listed respectively at London and Nasdaq:

Dotdigital Group: founded in 1999 in UK as a web design agency, it is currently a leading provider of email marketing and omnichannel SaaS technology to empower digital marketing professionals. Its marketing automation platform is used by over 70,000 marketers in 156 countries worldwide. It was listed in London AIM in March 2011 and has a market capitalisation >EUR250 million.

SendGrid: founded in 2009 in Denver, SendGrid developed a cloud-based email service to solve the challenges of reliably delivering emails on behalf of growing companies. Today, SendGrid is a leading digital communication platform, enabling businesses to engage with their customers via email reliably, effectively and at scale. SendGrid is responsible for sending billions of emails for some of the best and brightest companies in the world. It has 74,000 customers and processes >45 billion emails every month. It was floated in NYSE in November 2017 and has market capitalisation >EUR1.4 billion. On 15 October, Twilio and SendGrid announced to have reached an agreement for a merger at an exchange ratio of 1 Twilio share for every SendGrid share. The closing is expected in first half of 2019.

Figure 35. Peer comparison

MailUp's current profitability is lower than that of peers because its advisory business is still at an early stage. However, thanks to the take-off of value added services we estimate an average growth of the bottom line which is 2x the median of the panel.

Company	Mkt. cap. (EURm)	EBITDA margin		EBIT margin		Net margin EPS CAGR	
		2018E	2019E	2018E	2019E	2018E	2018-20
Alkemy	57.4	11.0%	12.4%	8.0%	8.3%	4.8%	28.6%
DigiTouch	17.9	14.8%	15.8%	7.5%	8.7%	4.4%	44.0%
Triboo	50.0	13.9%	14.9%	5.3%	6.5%	2.6%	70.6%
SendGrid	1,716.9	12.2%	11.8%	4.8%	6.3%	5.8%	23.7%
dotDigital Group plc	261.7	29.0%	28.5%	23.2%	24.2%	19.9%	17.8%
Median		13.9%	14.9%	7.5%	8.3%	4.8%	28.6%
MailUp		10.3%	11.7%	5.2%	7.2%	2.8%	68.2%

Source: Factset, UBI Banca estimates

SendGrid multiples incorporate a premium price due to its best-in-class platform, significant size, market liquidity (US player floated in Nasdaq) and potential merger with Twilio. Just looking at dotDigital, based on average 2018-19 EV/EBITDA and EV/EBIT valuation, MailUp would be valued at EUR4.7 per share. Even in case of a 30% liquidity discount we would reach a fair value of EUR3.3 per share.

Figure 36. Peer comparison and valuation based on multiples priced on 16 October 2018

MailUp is trading at premium compared to Italian digital marketing players but at a huge discount compared to foreign UK/USA players which have got similar business model.

Company	Mkt. cap. (EURm)	EV/Sales			EV/EBITDA			EV/EBIT		
		2018E	2019E	2020E	2018E	2019E	2020E	2018E	2019E	2020E
Alkemy SpA	57.4	0.7x	0.5x	0.4x	6.7x	4.3x	3.4x	9.3x	6.4x	4.9x
DigiTouch SpA	17.9	0.5x	0.3x	0.2x	3.2x	2.1x	1.5x	6.4x	3.6x	2.3x
Triboo SpA	50.0	0.8x	0.6x	0.5x	5.8x	4.3x	3.3x	15.4x	9.9x	5.7x
Italian AIM peers Average		0.7x	0.5x	0.4x	5.3x	3.6x	2.7x	10.4x	6.7x	4.3x
SendGrid, Inc.	1717	10.5x	8.4x		86.6x	71.0x		213.9x	134.0x	
dotDigital Group plc	262	5.7x	4.3x	3.6x	19.7x	15.0x	12.7x	25.3x	17.7x	14.7x
Foreign peers Average		8.1x	6.3x	3.6x	53.2x	43.0x	12.7x	119.6x	75.9x	14.7x
Average all peers		4.4x	3.4x	2.0x	29.2x	23.3x	7.7x	65.0x	41.3x	9.5x
MailUp		0.8x	0.7x	0.5x	8.1x	5.6x	4.1x	16.1x	9.1x	6.2x
Premium/Discount to average		-81%	-81%	-74%	-72%	-76%	-47%	-75%	-78%	-35%
MailUp at target		1.3x	1.0x	0.9x	12.9x	8.9x	6.9x	25.6x	14.5x	10.3x
Premium/Discount to average		-70%	-70%	-56%	-56%	-62%	-11%	-61%	-65%	8%
Premium/Discount to Dotdigital		-77%	-76%	-76%	-35%	-40%	-46%	1%	-18%	-30%

Source: Factset, UBI Banca estimates

Income Statement

(EURm)	2017	2018E	2019E	2020E
Net Revenues	26.4	35.3	44.8	52.8
EBITDA	2.9	3.6	5.2	6.8
EBITDA margin	10.9%	10.3%	11.7%	12.8%
EBIT	1.3	1.8	3.2	4.5
EBIT margin	4.8%	5.2%	7.2%	8.6%
Net financial income /expense	-0.0	-0.0	-0.0	-0.0
Associates & Others	-0.1	0.0	0.0	0.0
Profit before taxes	1.2	1.8	3.2	4.5
Taxes	-0.6	-0.8	-1.3	-1.7
Minorities & discontinuing ops	-0.1	0.0	0.0	0.0
Net Income	0.5	1.0	1.9	2.8

Source: Company data, UBI Banca estimates

Balance Sheet

(EURm)	2017	2018E	2019E	2020E
Net working capital	-7.1	-8.6	-7.3	-6.5
Net Fixed assets	15.1	19.7	20.6	21.6
M/L term funds	-1.2	-1.6	-2.0	-2.3
Capital employed	6.7	9.6	11.3	12.8
Shareholders' equity	13.8	16.4	18.3	21.1
Minorities	0.1	0.1	0.1	0.1
Shareholders' funds	13.9	16.5	18.4	21.2
Net financial debt/(cash)	-7.3	-6.9	-7.1	-8.4

Source: Company data, UBI Banca estimates

Cash Flow Statement

(EURm)	2017	2018E	2019E	2020E
NFP Beginning of Period	-1.0	-7.3	-6.9	-7.1
Group Net Profit	0.5	1.0	1.9	2.8
Minorities	0.1	0.0	0.0	0.0
D&A	1.6	1.8	2.0	2.3
Change in Funds & TFR	-2.1	1.5	-1.0	-0.6
Gross Cash Flow	0.2	4.3	2.9	4.5
Change In Working Capital	1.5	0.2	0.1	0.1
Other	0.4	-0.0	-0.0	-0.0
Operating Cash Flow	2.0	4.5	3.0	4.6
Net Capex	-2.0	-6.4	-2.9	-3.3
Other Investments	-0.0	0.0	0.0	0.0
Free Cash Flow	-0.0	-1.9	0.2	1.3
Dividends Paid	0.0	0.0	0.0	0.0
Other & Chg in Consolid. Area	0.0	0.0	0.0	0.0
Chg in Net Worth & Capital Incr.	6.3	1.6	0.0	0.0
Change in NFP	6.3	-0.3	0.2	1.3
NFP End of Period	-7.3	-6.9	-7.1	-8.4

Source: Company data, UBI Banca estimates

Financial Ratios				
(%)	2017	2018E	2019E	2020E
ROE	4.0%	6.0%	10.5%	13.3%
ROI	17.0%	19.1%	26.4%	31.8%
Net Fin. Debt/Equity (x)	-0.5	-0.4	-0.4	-0.4
Net Fin. Debt/EBITDA (x)	-2.5	-1.9	-1.4	-1.2
Interest Coverage	0.0	0.0	0.0	0.0
NWC/Sales	-26.9%	-24.2%	-16.2%	-12.2%
Capex/Sales	-7.7%	-18.3%	-6.4%	-6.2%
Pay Out Ratio	0.0%	0.0%	0.0%	0.0%

Source: Company data, UBI Banca estimates

Per Share Data				
(EUR)	2017	2018E	2019E	2020E
EPS	0.04	0.07	0.13	0.19
DPS	0.00	0.00	0.00	0.00
Op. CFPS	0.43	0.27	0.59	0.54
Free CFPS	-0.21	-0.01	0.44	0.36
BVPS	0.98	1.10	1.23	1.42

Source: Company data, UBI Banca estimates

Stock Market Ratios				
(x)	2017 *	2018E	2019E	2020E
P/E	51.6	36.7	18.9	13.0
P/OpCFPS	13.9	8.0	12.0	8.0
P/BV	2.0	2.2	2.0	1.7
Dividend Yield (%)	0.0%	0.0%	0.0%	0.0%
Free Cash Flow Yield (%)	-0.0%	nm	0.5%	3.6%
EV (EURm)	21.0	31.2	31.4	30.5
EV/Sales	0.8	0.8	0.7	0.5
EV/EBITDA	7.3	8.1	5.6	4.1
EV/EBIT	16.5	16.1	9.1	6.2
EV/Capital Employed	3.1	3.3	2.8	2.4

Source: Company data, UBI Banca estimates

* Based on 2017 average price

Growth Rates				
(%)	2017	2018E	2019E	2020E
Growth Group Net Sales	26.7%	33.6%	26.9%	17.9%
Growth EBITDA	19.3%	25.9%	44.2%	29.8%
Growth EBIT	-21.3%	30.2%	12.8%	10.4%
Growth Net Profit	-60.3%	64.7%	14.0%	11.4%

Source: Company data, UBI Banca estimates

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