



Investment summary

A supreme high performance messaging marketing suite

We initiate coverage of MailUp with an OUTPERFORM rating, based on a target price of €3.44 per share. We believe MailUp is positioned to continue its expansion and to accelerate growth, aside from its domestic market, in non-English speaking geographies thanks to its state-of-the-art cloud-based multi-language platform. MailUp addresses the potentially boundless e-mail and mobile messaging market, with super-sharp tools for marketing needs such as tracking, reporting, triggered e-mails, all in a user-friendly interface.

We view MailUp being able to “live-up” to its full potential of a growth stock: continuous additions of new clients, launch of new product suites and integration of new businesses will continue to drive growth rates higher than the industry average.

Key financials and estimates

€m	2014A	2015E	2016E	2017E	2018E
Revenues	8.0	9.8	11.7	14.0	16.4
YoY %	-	22.0%	19.5%	19.6%	17.1%
EBITDA	0.8	1.4	1.9	2.5	3.1
Margin	10.3%	14.0%	16.2%	18.1%	19.0%
EBIT	0.2	0.5	0.7	0.9	1.6
Margin	2.6%	5.6%	5.7%	6.4%	9.9%
Net Income	0.1	0.4	0.5	0.6	1.1
Net Working Capital	(2.7)	(3.1)	(3.7)	(4.5)	(5.2)
NWC/Revenues	-33.3%	-31.5%	-31.7%	-31.8%	-32.0%
Net (Debt) / Cash	3.3	3.0	3.3	4.4	5.9
Equity	3.3	3.6	4.1	4.7	5.8

Source: EnVent Research

In-house developed proprietary algorithms exploiting the cloud

Cloud-based and SaaS platforms are increasingly replacing the old local infrastructures, allowing businesses to structure their e-mail marketing functions through a dedicated suite in virtually all geographies.

The multi-channel suite developed by MailUp represents a user-oriented tool that, thanks to a proprietary architecture, sophisticated algorithms and integration with other systems, ensures reliable execution and high inbox-delivery rates, facilitating clients to reach the targeted audience.

Strong and loyal client base yield visibility and recurring revenue

MailUp has a proven track record of new client additions (around 200 new clients per month) based on a marketing strategy that resulted in a portfolio of 8,400 active clients at the end of Q2 2015. Client loyalty is strong, 5 years is the expected time spend of the relationship, leading to recurring revenue and significant visibility of future revenue.

A flexible and adaptable software, easy to sell, driving revenue growth

The platform can be easily marketed by third-party resellers allowing to achieve quick market penetration. The user-oriented platform format has the additional advantage to be quickly language-adapted for foreign markets. Consequently, international market entry takes less time than that of English-speaking or other international competitors, having developed more complex platforms.

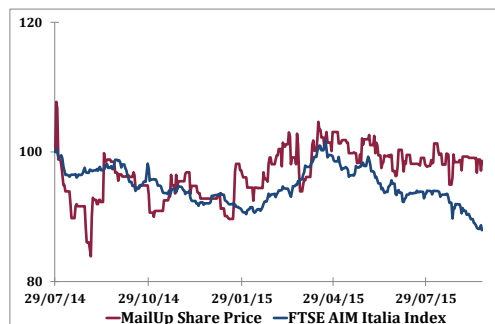
We consider the Company to fulfil its full potential as a growth stock and we expect that growth will fuel investors' expectations wishing to capitalize on management's ability to deliver on such promises. Expected growth derives from the strategic appeal, market position and technological know-how easily perceptible by resellers.

OUTPERFORM

Current Share Price (€): 2.94

Target Price (€): 3.44

MailUp – Performance



Note: 29/07/2014=100

Company data

Bloomberg code	MAIL IM
Reuters code	MAIL.MI
Share Price (€)	2.94
Date of Price	23/09/2015
Shares Outstanding (m)	8.0
Market Cap (€m)	23.5
Market Float (%)	15%
Daily Volume	2,400
Avg Daily Volume YTD	6,162
Target Price (€)	3.44
Upside (%)	17%
Recommendation	OUTPERFORM

Share price performance

	1m	3m	1Y
MailUp - Absolute (%)	0.1%	-3.4%	-2.3%
FTSE AIM Italia (%)	-2.2%	-8.3%	-9.9%
1Y Range H/L (€)	3.20	2.74	
YTD Change/%	0.10	3.7%	

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1. INVESTMENT CASE

A supreme high-performance messaging marketing platform

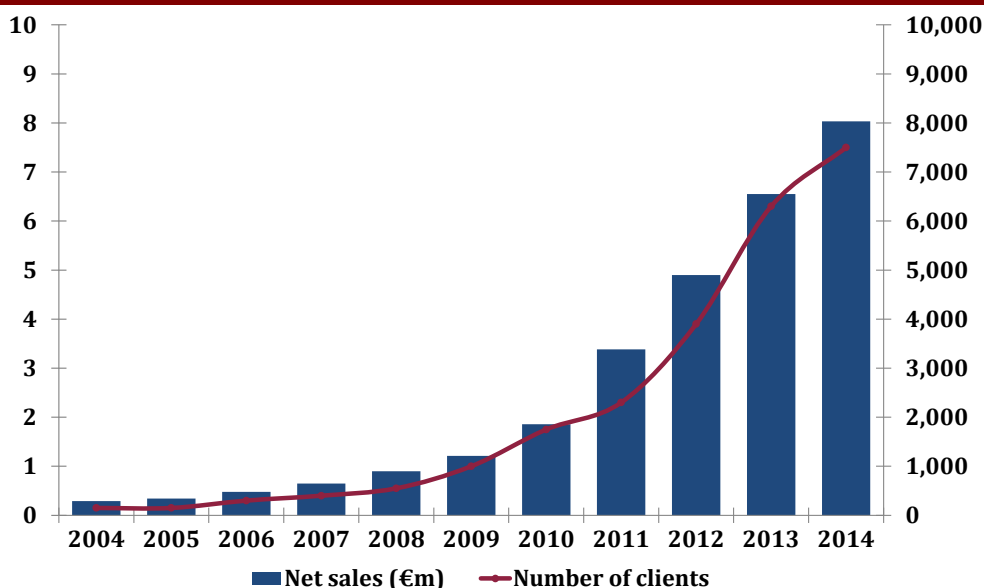
Ten years of accelerated growth (5Y CAGR +44%)

Company

MailUp develops and operates a proprietary automated messaging platform, which provides its clients with the possibility of managing the vital process of their direct message marketing communication to customers through different message forms such as e-mail, text (SMS), social network and newsletters. The main managed activities are the creation and transmission of messages, with subsequent tracking and statistical performance measure.

With 8,400 clients at the end of Q2 2015, increasing by around 200 new clients per month, the Company managed 25 billion sent messages in the past 12 months. It currently markets its services both directly and indirectly through a total of 700 agencies and resellers. Currently employing 100 people, in FY2014 MailUp delivered a year of continued strong organic growth, achieving net sales of €8m, +23% on prior year, and an EBITDA of €0.8m (10% margin, up from 7.7% in 2013).

Historical net sales and portfolio of clients



Source: Company data – FY2013 and FY2014 consolidated financial statements

Drivers

Industry drivers

E-mail is the lifeblood of many consumer businesses. Despite today the number of contact points between companies and consumers is constantly increasing thanks to social media and other digital channels, e-mail is by far the most effective way for companies to attract and retain customers.

According to a study by McKinsey, 91% of US consumers check their e-mail

daily and the rate at which e-mails prompt purchases is three times higher than that of social media. Moreover the average order value per message is 17% higher. (McKinsey, *Why marketers should keep sending you e-mails*, January 2014)

The average marketing e-mail *open* rate is approximately 30%, but can increase to over 50% when the e-mail is specifically triggered (linked to previous contacts).

E-mail marketing is not just highly effective, it is also efficient. According to the US Direct Marketing Association, for every \$1 spent on e-mail marketing, \$44.25 is the average return. E-mail marketing's ROI is many multiples of any other strategy and requires the lowest upfront investment. With an *open* rate between 30-50% and *click-through* rate between 4-10%, e-mail is a very cost effective marketing tool.

E-mail marketing is the solution for limited marketing budgets. For most companies it is too expensive to hire marketing in-house staff or engage external marketing agencies to develop and execute an e-mail marketing campaign. The availability of an easy to use dedicated tool is the logical solution.

Triggered e-mails are increasing their effectiveness. A survey on triggered e-mails (e-mails sent as a result of an action such as a welcome, thank you, an abandon shopping cart or confirmation) indicates that these have over 50% *open* rates and 10% *click-through* rates (metrics based on 7.8 billion e-mails sent in Q2 2014 across more than 140 North American companies and across multiple industries, provided by Epsilon, a US digital agency network).

E-mail is increasingly being viewed on mobile devices. Data for over 1.8 billion e-mail *opens* deriving from nearly 22 billion e-mail recipients of campaigns sent in 2013 shows that mobile is the most popular environment for a subscriber's first interaction with an e-mail (41%), followed by desktop (28%) and webmail (22%). From 2011 to 2013, e-mail *opens* on mobile devices increased by 30%.

Company drivers

Attractive and highly scalable business model. Revenues are driven by the number of clients and the subscription fees charged to them. Clients prepay annual subscription fees in advance (part of the fees are accounted for as deferred revenue).

A pay-per-speed (as opposed to pay-per-volume and pay-per-list size) pricing strategy represents a unique, attractive and flexible pricing model which fits high-volume senders.

Visibility of future revenues. A strong customer loyalty, implying, according to the Management, a high client retention rate, together with an average contract life of around 5 years, allows for resiliency in revenue stream. The annual upfront subscription fee scheme of payment, with automatic renewal,

provides the Company with a significant base of recurring revenue.

Technology. The selling proposition consists of a proprietary platform-architecture, which allows to specifically process message delivery speed, embedding sophisticated algorithms that ensure reliable execution and above-average inbox-delivery rates, facilitating MailUp's clients to effectively reach their targeted audience.

Reselling. The platform can be easily marketed by third-party resellers allowing to achieve quick market penetration. Its accessible and self-explanatory user path does not require the presence of expert implementation IT professionals and, as such, it is relatively easy to be sold as a white label by local providers wishing to use their own brand. Moreover, the user-oriented platform format, aside from its ease-of-use even for the most un-sophisticated clients, has the additional advantage to be quickly language-adapted for foreign markets. Consequently, international market entry takes less time than that of English-speaking or other international competitors, having developed more complex platforms.

Wide client base and low concentration. MailUp today has 8,400 clients and low client concentration or revenue-loss risk (the largest 20 clients at the time of IPO accounted for approximately 20% of total revenues).

Management-Shareholder alignment of interests. Key managers are also shareholders of the Company and are directly involved in the execution of the Group's growth strategy, leveraging on their skills and industry expertise.

Inbound marketing. The marketing strategy is based on inbound marketing, a modern data-driven and multi-channel approach that attracts consumers to a brand, generates leads and converts them into clients. Around 97% of clients finds MailUp through the web, with nearly 60,000 unique monthly visits and 1000 free trials activated per month.

Challenges

Low barriers to entry and pricing trends. Digital marketing solutions have relatively low barriers to entry. Potential new competitors can enter the marketplace without significant obstacles and large industry players could either build their competences in-house or acquire, or establish relationships with smaller players. In terms of pricing, as many customers make general CRM decisions on the perceived features and costs of a platform, a multi-suite competitor may decide to offer underpriced, or free, message marketing services in order to capture CRM engagements, or as a strategic competitive decision, affecting the Company's pricing potential.

A universal tool

Changes in the anti-spam regulatory framework. MailUp has an internal procedure to comply with the current privacy regulation and is committed to decline, or terminate relationships, with non-compliant prospects or clients. Any adverse change in the anti-spam laws could negatively impact the use, and value-added, of its e-mail marketing service offering perceived by current and future clients.

Increased use of alternate inboxes. Some mailbox providers (Gmail, Yahoo, etc.) and Internet Service Providers (ISPs) have recently started to categorize e-mails that originate from service providers as promotional and started to direct these e-mails to alternate folders in their customer inboxes. These alternate folders are specifically *labeled* to contain promotional e-mail (not spam). If this trend grows and e-mail *open* rates for messages sent through MailUp decline, then clients may rethink the value of sending promotional e-mail and possibly cancel their accounts or the amount they are willing to pay for its services.

2. PROFILE

Fostering innovation and smart communication

Fast and powerful e-mail and SMS delivery solutions

MailUp SpA (MailUp) is an Italian E-mail Service Provider (ESP) that has developed a proprietary cloud computing platform for e-mail and SMS marketing, combining advanced technology with an industry-leading flat-rate pay-per-speed pricing.

Key developments

MailUp was set up in 2002 by five founding shareholders as NWeb Srl, a web engineering firm for website design and development of web applications. Two years later the MailUp project was set up in the field of web marketing, with the aim of providing cloud solutions. Between 2008 and 2009, website design and development of web applications, consulting and web marketing business lines were deemed as non-core and shut down. MailUp is now entirely dedicated to its e-mail and SMS marketing platform.

A partnership with the US company Early Impact Inc, specialized in e-commerce software, opened the way for international expansion in 2006.

In 2010, MailUp started its acquisition growth strategy by investing in Network Srl, a provider of sophisticated and critical IT services.

MailUp goes public in 2014

MailUp's shares commenced to be traded on the AIM Italia market in July 2014, by way of an IPO.

Acquisition of Acumbamail

In August 2015, MailUp announced the acquisition of 70% of Acumbamail SL, a Spain-based e-mail marketing company, with the aim of accessing the Spanish and Latin American markets. MailUp has an option to acquire the remaining 30% within three years.

History and key acquisitions

Year	Main Events/Acquisitions
2002	Establishment of NWeb S.r.l., web engineering
2004	Set up of MailUp, web marketing and cloud solutions
2006	International partnership with Early Impact Inc., software for e-commerce
2008	MailUp's core business, e-mail and SMS marketing platform, as sole business
2010	Acquisition of Network S.r.l., direct e-mail and hosting
2012	Set up of MailUp Inc., US subsidiary
2014	IPO on AIM Italia
2015	Acquisition of Acumbamail SL, e-mail marketing in Spain

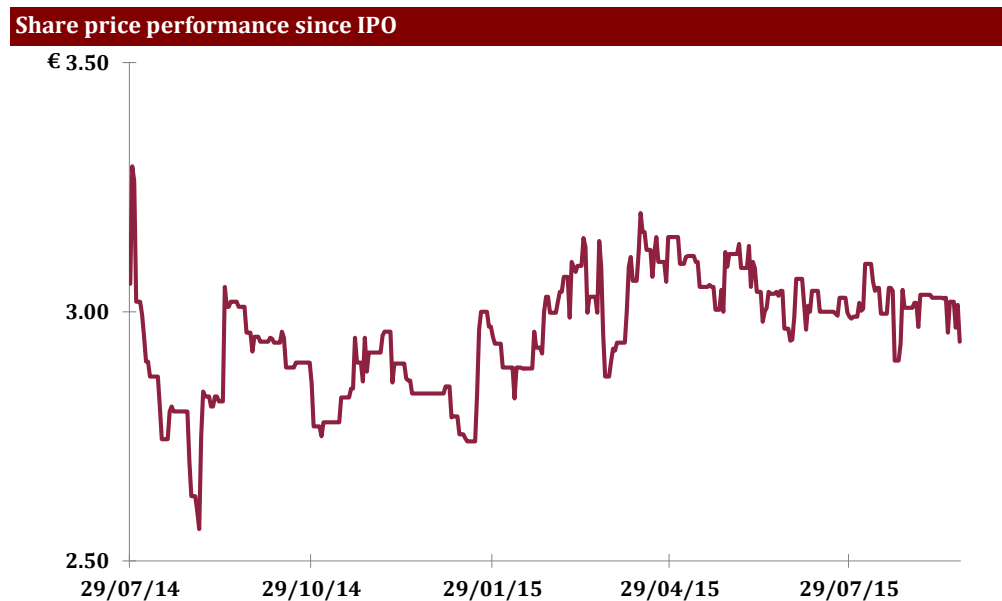
Source: Company data

MailUp's stock market performance on AIM Italia

Through its IPO on the AIM Italia market (July 29th, 2014), MailUp sold 1,200,000 shares at €2.50 per share for a total raising of approximately €3m. At the time of IPO, free float was 15% and the market cap was €20m. The official closing price of the first trading day was €3.06 per share, +22% above the offer price.

MailUp on AIM Italia	
Stock market	AIM Italia - MAC
ISIN code	IT0005040354
Bloomberg code	MAIL IM
Reuters code	MAIL.MI
IPO date	29/07/2014
First Share Price (€)	2.50
Shares outstanding	8,000,000
Current Share Price (€)	2.94
Market Cap (€m)	23.5

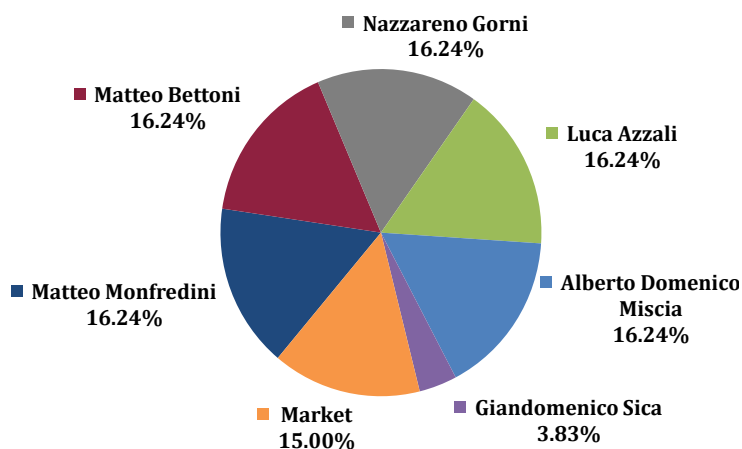
Source: Company data and Bloomberg, update: 23/09/2015



Source: Bloomberg, update: 23/09/2015

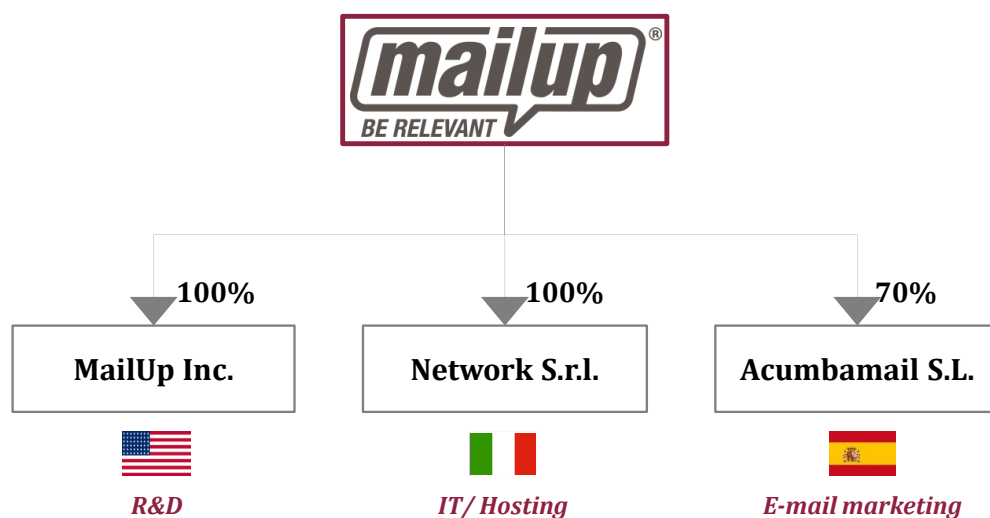
3. GROUP

Shareholders



Source: Company data

Group structure



Source: Company data

The operating holding company, MailUp SpA, addresses the Group's strategy, product management, marketing & sales. It has three subsidiaries:

- MailUp Inc, R&D branch based in San Francisco, provides the product strategy and manages the integration of the platform with other systems
- Network Srl, based in Cremona, provides IT services, hosting infrastructure and software development mainly to the Group
- The recently acquired Acumbamail SL, based in Spain, is a startup company in the e-mail marketing business. It will act as a sales branch for the Spanish-speaking markets.

4. MANAGEMENT

Name	Role	Background
Nazzareno Gorni	Shareholder - CEO	<ul style="list-style-type: none"> - Co-founder of MailUp - Engineer with specialization in business engineering - Adjunct Professor at IULM University and author of "E-mail marketing 2.0" (Hoepli, 2013)
Matteo Monfredini	Shareholder- CFO	<ul style="list-style-type: none"> - Co-founder of MailUp - Administration and finance
Luca Azzali	Shareholder - COO	<ul style="list-style-type: none"> - Co-founder of MailUp - Business software sales and e-commerce
Matteo Bettoni	Shareholder - CTO	<ul style="list-style-type: none"> - Co-founder of MailUp - Computer science engineer - IT and cloud computing
Alberto Miscia	Shareholder - Head Deliverability & Compliance	<ul style="list-style-type: none"> - Co-founder of MailUp - Computer science engineer - Software Architect
Giandomenico Sica	Shareholder - Corporate Development	<ul style="list-style-type: none"> - Founder of Polimetrica (international publishing) - Founder of Grafo Ventures (corporate finance boutique focused on digital media)
Massimo Arrigoni	Chief Product Officer	<ul style="list-style-type: none"> - Web applications for e-commerce and digital marketing - Co-founder of Early Impact Inc. (e-commerce software) - Board member, Mind the Bridge Foundation (startup incubator)

5. BUSINESS MODEL AND STRATEGY

A multi-functional smart e-mail and text marketing platform

MailUp is a digital cloud platform offered as Software as a Service (SaaS), i.e. without the need to install any software.

Selling proposition

The Company offers the ultimate interactive and customizable client-oriented platform which allows to craft, transmit and track bulk message-marketing campaigns. More specifically the following communication may be achieved: promotions, newsletters, triggered and transactional messages (including post-purchase and post-sign up messages, RSS-to-e-mail notifications, reengagement campaigns) mainly through e-mail, text messages (SMS) and social media.

One platform: e-mail, text and social media marketing

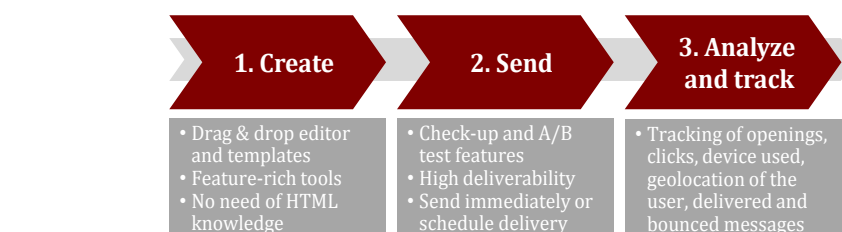
E-mail marketing is the core of MailUp's offering, generating 75% of the Company's net sales.

Through the adaptable, user-oriented platform, the client generates a message based on a customizable template with drag & drop editing and specific tools. Then, e-mail addresses of the recipients are included in a contact list. Once the e-mail is designed, the client can also integrate it into social media, such as Facebook, Twitter, LinkedIn.

The e-mails sent target a high delivery rate and can be tracked by the IT system. Thanks to statistics tools, the client receives a performance report on the effective deliveries, assesses the number of e-mail *opens* by recipients and clicks to embedded links, and reviews the prospects' social networks-related activities (number of likes, retweets, comments, trend of popularity).

The platform collects behavioral and demographic data allowing for the profiling and segmentation of recipients.

Use of the platform



Source: Company data

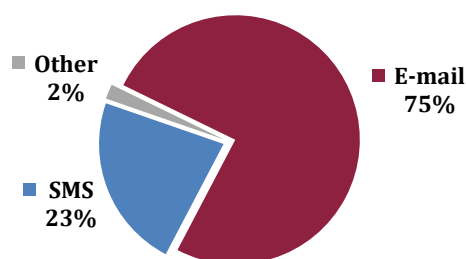
Sent e-mails may be viewed on desktop or mobile devices, with different web browsers, and have a consistent look in all of the platforms.

Thanks to MailUp's long-term relationship with the global leading E-mail and Internet Service Providers, messages can be received on over 60 types of mailboxes (e.g. Gmail, Outlook, Yahoo, Apple Mail, Android, Lotus Notes).

A client support team is available. MailUp also offers technical consulting services to clients wishing to develop more sophisticated or customized solutions. In addition, all clients have full access to training resources, including a blog, eBooks, how-to videos and case studies.

The platform is also designed to transmit SMS texts, to recipients in over 200 countries, with the same functionalities of e-mail.

Consolidated net sales by product, 2014

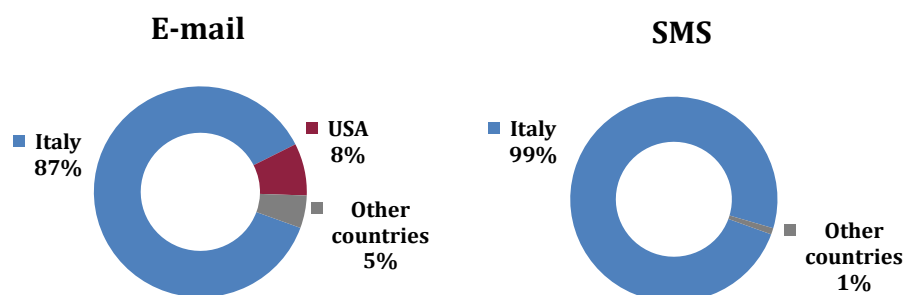


Source: Company data

Other services include messages on social media and fax services.

Most of the turnover is currently generated in Italy. The Group has a broad international presence in over 50 countries and a strong commitment to increase its international sales.

Consolidated net sales by geography, 2014



Source: Company data

The platform's features

- Inbox deliverability: proprietary algorithms and consulting services with high delivery rates
- Proprietary architecture: technology enabling to control message delivery speed entirely developed in-house
- Hybrid cloud technology: allowing for significant cost reduction
- Open system: the platform can be easily integrated with the client's CMS,

CRM and ERP, IT systems, external databases, e-commerce and business intelligence systems (e.g. MS Dynamics CRM) thanks to ready-to-go plugins and to a free API (Application Programming Interface) library

An open system



Source: Company data

- Self-service offering: clients can self-manage their marketing campaigns through e-mail, SMS, fax and social network
- Multi-language (Japanese, Chinese, English, French, Spanish, Italian, Portuguese, Bahasa - Indonesia)
- Platform releases: frequent additions and updates

Competitive and innovative pricing

The price of the platform is based on a flat rate, which includes unlimited recipients, lists and sent messages.

Unlike its competitors, whose pricing model is traditionally linked to the number of contacts in the list or to message volumes sent, MailUp's pricing model is based on a pay-per-speed model.

This model is difficult for competitors to replicate, since it requires changes in infrastructure and marketing/billing systems.

Opportunities are numerous to increase revenues-per-client by providing ancillary services, upgrades or other add-ons.

Marketing and sales

The marketing strategy is based on inbound marketing, a modern data-driven and multi-channel approach that attracts consumers to a brand, generates leads and converts them into clients.

Around 97% of clients finds MailUp through the web, with nearly 60,000 unique

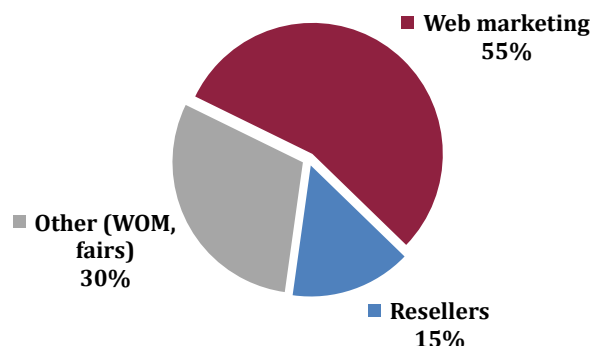
Integrated with best-of-breed business systems

Unique pricing model based on delivery speed

Upselling opportunities

monthly visits and 1000 free trials activated per month. The main sales channels are the web (55%), resellers (15%) and others such as *word of mouth* and trade fairs. MailUp has active relationships with 700 agencies and resellers.

Sales channels



Source: Company data

MailUp acquires around 200 new clients per month. Acquisition costs per client are estimated in around €800, while the estimated return is approximately €1200 yearly, with an average client lifetime estimated in 5 years. The churn rate for existing clients is 20% (yoy).

Clients

The portfolio includes around 8,400 clients at the end of the H1 2015. US-based clients are more than a hundred.

Abstract of clients' portfolio



Source: Company data

Anti-spam policy

MailUp has strict policies with regards to laws that prohibit spam e-mailing. Internal policies prevent any client from sending non-compliant messages to databases protected by international privacy laws. MailUp does not market or rent-out e-mail contact lists, and prevents clients from sending unsolicited messages.

An abuse desk monitors spam reports and MailUp's users' behavior, a

Prevention and termination

continuous process which may result in an account being suspended and/or terminated when, and if, initial non-compliant findings are confirmed.

Corporate strategy

MailUp's current key strategic guidelines are:

- Strengthen its position as a premier E-mail Service Provider through organic growth and acquisitions
- Penetrate non-English speaking markets (poorly served by large industry players) leveraging on partnerships with local service providers and through white-label service agreements with local operators that may resell the platform under their own brand
- Focus on mid-sized clients

Acquisitions

Multi-language geographical dissemination

6. MARKET AND TRENDS

The Cloud: a cutting-edge industry driving expansion of marketing software

Cloud services are defined as services that provide IT resources from remote sources and bring them directly to the user. Cloud services may be classified according to the resource provided as a service:

- IaaS (Infrastructure as a Service): the user is provided with a virtual machine or a remote storage
- PaaS (Platform as a Service): the user is provided with an e-platform which could then be developed
- SaaS (Software as a Service): the user is provided with a software

SaaS marketed products have the clear advantage of easy learning and immediacy of use, whilst guaranteeing a reliable and solid user experience.

MailUp's products, developed and marketed as SaaS, can be ascribed within the digital marketing space, a fast growing area of the wider advertising market. Companies spend more in internet marketing, rather than in traditional channels such as radio, television and newspapers etc.

E-mail marketing trends

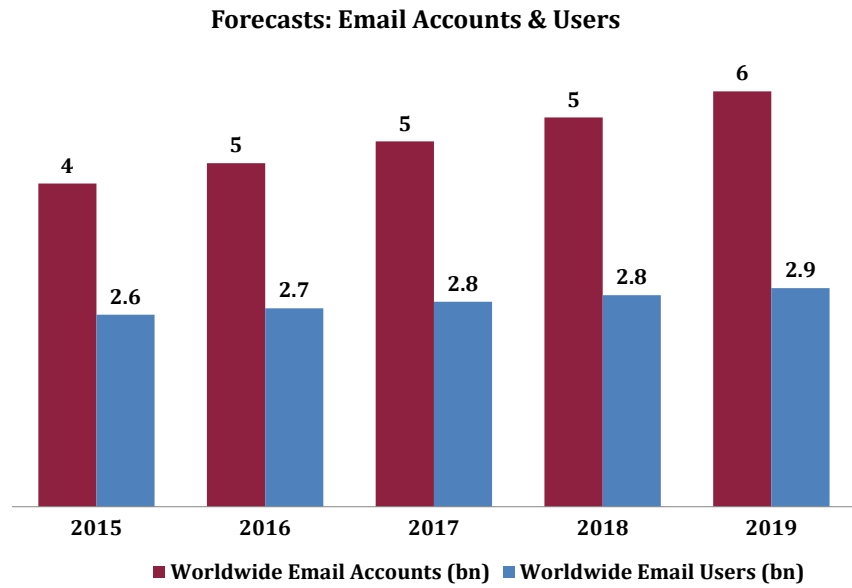
E-mail marketing encompasses a wide range of products, not only related to SaaS, but also to other technology products, such as landing pages, graphic design, list building (a promotion activity), business intelligence, system integration, hosting/housing, CRM and other software applications.

With regards to e-mail usage, according to a report on global e-mail statistics by the Radicati Group, a US technology market research firm, in 2015 the number of worldwide e-mail users will be nearly 2.6 billion. The average number of e-mail accounts per user ratio is forecasted to grow from an average of 1.7 accounts per user to 1.9, due to an increasing use of instant messaging (IM), social networking, etc.

E-mail continues to show a steady growth, because all IM, social networks and payment transactions on the web require an e-mail address.

E-mail: steady growth

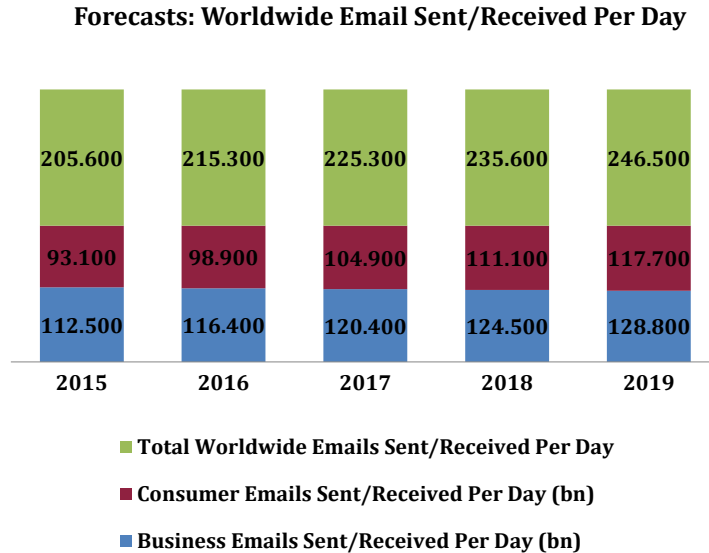
Exhibit 6.1



Source: The Radicati Group, *E-mail Statistics Report 2015-2019*, March 2015

The estimated number of e-mails sent and received daily in 2015 is over 205 billion. This figure is expected to grow at an average annual rate of 3% over the next four years, reaching over 246 billion by the end of 2019.

Exhibit 6.2

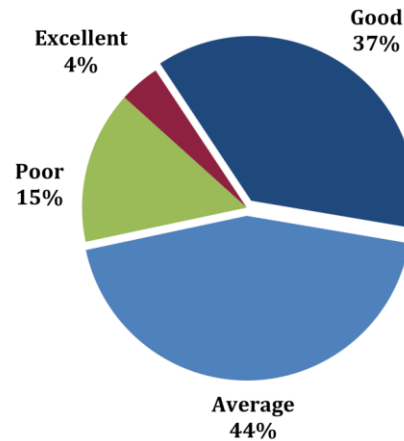


Source: The Radicati Group, *E-mail Statistics Report 2015-2019*, March 2015

A survey conducted by Econsultancy in association with Adestra shows that the performance of e-mail campaigns is rated as “good” (see below).

Exhibit 6.3

Rating of performance of companies' email campaigns

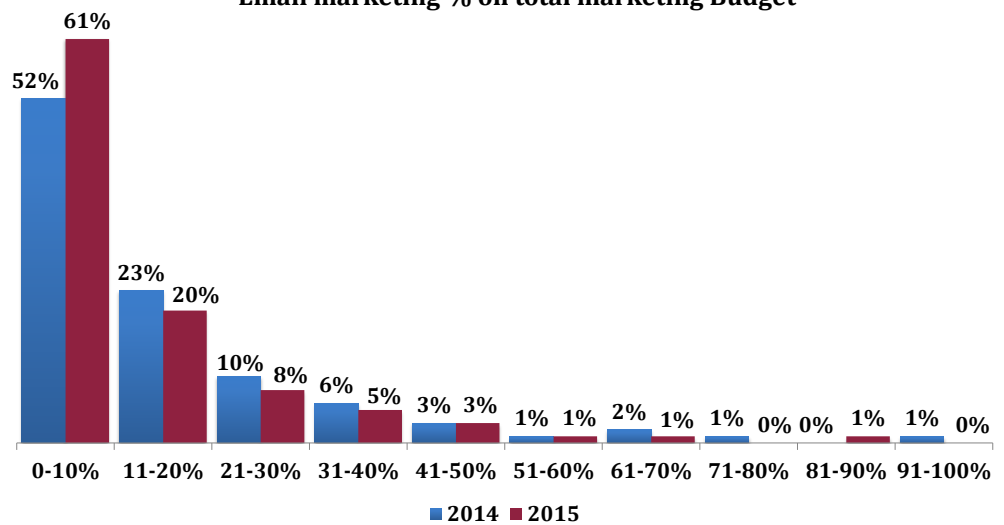


Source: Econsultancy, *E-mail marketing industry census 2015*

Despite the “good” rating, the survey shows that the proportion of e-mail marketing spend, as a percentage of total marketing spend, is still very limited.

Exhibit 6.4

Email marketing % on total marketing Budget



Source: Econsultancy, *E-mail marketing industry census 2015*

The cloud computing market

The cloud computing market is segmented into Public, Private and Hybrid cloud. Public clouds are owned and operated by third-party service providers. Customers benefit from economies of scale because infrastructure costs are spread across all users, allowing each individual client to operate on a low-cost, “pay-as-you-go” model. Public cloud infrastructure, in addition, is typically larger in scale than in-house enterprise clouds, providing clients with on-demand scalability.

Private clouds are built and customized for a single company, allowing the firm to host applications, while addressing concerns regarding data security and

Low-cost model

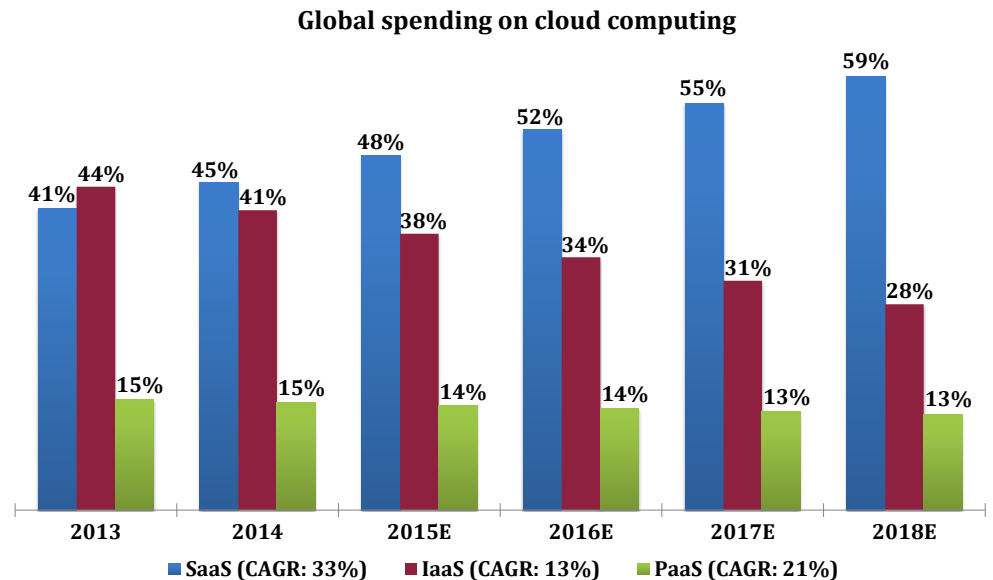
SaaS workload dominating the cloud

control, which is often lacking in a public cloud environment.

Hybrid clouds combine the advantages of both the public and private cloud models.

According to Goldman Sachs, spending on cloud computing infrastructure and platforms will grow at a 33% CAGR from 2013 through 2018, compared with 5% growth for the overall enterprise IT market. By 2018, 59% of the total cloud workload will be Software-as-a-Service (SaaS), up from 41% in 2013.

Exhibit 6.5

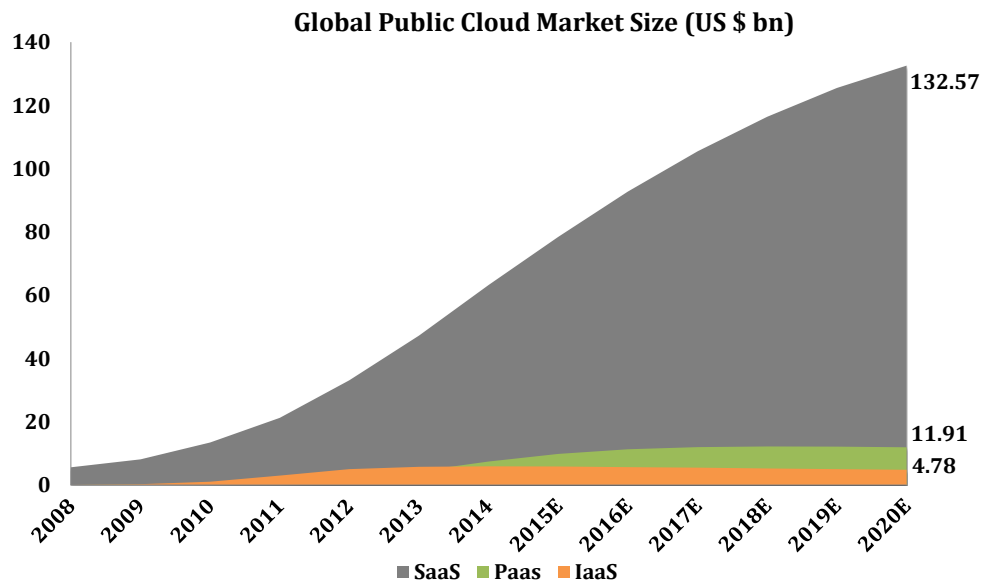


Source: Forbes 24/01/2015

In 2016, global SaaS software revenues are forecasted to reach \$106bn, with an increase of 21% over the estimated spending levels in 2015.

\$78.43bn in SaaS revenues will be generated in 2015, increasing to \$132.57 in 2020, with a CAGR of 9.14%.

Exhibit 6.6



Source: Forbes 24/01/2015

7. COMPETITION

Competitive forces and factors

MailUp faces competition from E-mail Service Providers, some of which may have a different level of technological content, pricing models and specializations. MailUp does not face competition from mailbox providers such as Gmail, Microsoft Outlook or Yahoo, generally operating one-to-one e-mail services. These do not incorporate the formatting, graphics, and links used in professional e-mail marketing campaigns, they often limit the number of recipients per e-mail and do not offer reporting tools.

MailUp competes in the wide mass e-mail market where the breadth of products and services provided is diverse, suppliers are not relevant to the product performance and have no power, in addition substitute products/services do not constitute a significant threat. Barriers to entry are typically low, but technological content is a must, representing a barrier. In the competitive arena client power is significant.

We believe that the main competitive factors in the arena are:

- Service affordability and cost
- Ease of use and effectiveness
- Integrated solution offering
- Product functionality, performance and reliability
- Customer support, coaching and training

A snapshot of the Italian competitive arena

The E-mail Service Providers market (ESP) is highly fragmented and competitive, thus estimates of its size are not available.

The number of pure play IT operators offering SaaS platforms is limited and most industry players are marketing-oriented. Most competitors offer similar proposals, charging low entry fees or offering free services for limited volumes or charging variable fees per number of e-mails sent or per contact list size. Industry players can be analyzed also based on the target market segment: small, medium or large businesses.

In Italy the ESP market is populated both by domestic and foreign players.

Platforms developed by foreign players such as Rapidmail, Sendinblue and MDirector (Antevenio Group) are available also in Italian.

The main Italian competitors are: ContactLab, Kiwari, Infomail, Voxmail, MrSend (Softec), SendBlaster, Trendoo (Moby Group), Moby.

Voxmail and MrSend (Softec) have not been analyzed since data are not available.

Technology is the key competitive factor

Exhibit 7.1

€m		2014			2013			ESP	SMS	Whitelabel / Resellers
Company	Platform	Sales	EBITDA	Margin	Sales	EBITDA	Margin			
ContactLab	ContactLab	12.1	2.0	16%	11.6	1.6	14%	✓	✓	✓
Mobyt	Mobyt	16.6	1.2	7%	9.0	(0.3)	neg.	✓	✓	✓
MailUp	MailUp	8.0	0.8	10%	6.5	0.5	8%	✓	✓	✓
Hoplo	Infomail	n.a.	n.a.	n.a.	3.5	0.7	21%	✓		✓
One - Etere	Trendoo	n.a.	n.a.	n.a.	2.8	0.2	9%	✓	✓	✓
Kiwari	Kiwari direct	n.a.	n.a.	n.a.	1.6	0.4	28%	✓	✓	
eDisplay	Sendblaster	n.a.	n.a.	n.a.	1.0	0.02	2%	✓		✓

Source: Aida - Bureau van Dijk

Within the group of Italian ESPs, the largest players in terms of revenues are ContactLab, Mobyt and MailUp (revenues are in the range of €8-16m); they operate platforms which transmit messages through similar channels (e-mail and SMS) and their services are sold directly to consumers or by way of whitelabel through resellers.

Mobyt, listed on AIM Italia, delivers solutions for messaging services to support marketing and advertising campaigns. Its core business is mobile messaging (SMS), representing 90% of revenues, and to a lesser (marginal) degree e-mail. Its target markets are small and large businesses. In 2014, Mobyt acquired the company One – Etere, a provider of professional SMS services for small spenders and owner of the e-mail marketing platform Trendoo, in order to grow in the e-mail segment. Mobyt's revenues are likely to be to a certain extent inflated by SMS reselling.

We believe that the two leaders within the group of Italian ESPs are ContactLab and MailUp, with specific reference to the e-mail marketing segment. Other analyzed players are smaller and have revenues in the range €1-5m.

Mobyt, Trendoo, Kiwari and Sendblaster are also present abroad (mainly France and Spain). Pricing models are diversified, only Trendoo has, among the various offerings, a pay-per-speed fee like MailUp.

International operators

Financial figures and market shares for most global E-mail Service Providers are generally not available, being mainly closely-held companies (within the group only Constant Contact and DotDigital/Dotmailer are public companies). The following chart shows diverse business models as per geography (multi-language offering) and sales channels.

Exhibit 7.2

Platform / Features	E-mail	SMS	Social	SMTP relay	Whitelabel	Multi language
Constant Contact	✓					
iContact	✓					
Campaign Monitor	✓				✓	
GetResponse	✓					✓
MailUp	✓	✓	✓	✓	✓	✓
MailChimp/Mandrill	✓			✓		
Vertical Response	✓					
Mailjet				✓	✓	✓
Amazon SES				✓		
Sendgrid	✓			✓		
Exact Target	✓	✓		✓	✓	✓
Silverpop	✓	✓		✓		
DotMailer	✓	✓			✓	
Rapidmail	✓					✓
Mdirector	✓	✓	✓			✓
Sendinblue	✓	✓				✓
Epsilon	✓		✓			
StrongView	✓	✓	✓			

Source: Company data and websites of the analyzed firms

Constant Contact is a US provider of digital marketing solutions for small and medium-sized businesses. The suite of services includes primarily a multi-channel digital marketing platform enabling customers to launch and monitor marketing campaigns across e-mail, social media, events, local deals, online listings and surveys. Listed on Nasdaq.

Constant Contact claims to offer a unique marketing coaching support to its clients.

2014 revenues: €274m

DotDigital, established in 1999, is one of the leading UK e-mail marketing providers, entirely focused on its platform Dotmailer. Its shares are traded on the AIM UK.

2013/2014 revenues (FY ended at June 2014): €20m

Competitive trends

The major trends for the market and competition are:

- Larger players introducing new capabilities - Epsilon and StrongView Systems, two US leading ESPs have demonstrated the ability to innovate: Epsilon has redefined platform interface standards to be *mobile-first*, while

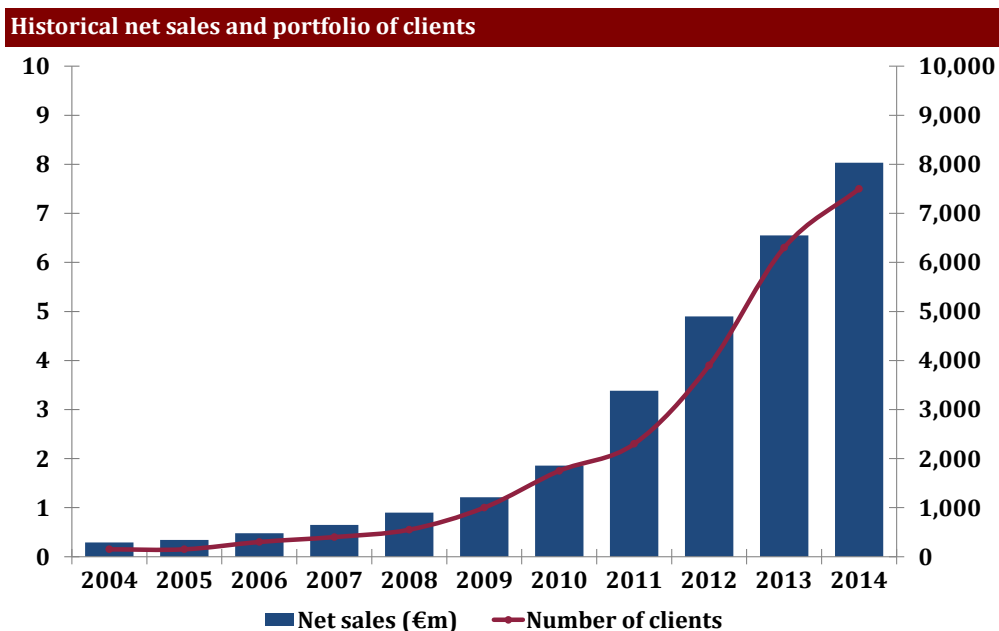
StrongView has started to offer real-time, contextual insights.

- Companies offering related services becoming ESPs - On-site testing and personalization vendors like Monetate and MyBuys are creating systems for customized e-mails. Predictive analytics specialists like Custora and Windsor Circle have amped up their support for ESPs through advanced segmentation products.
- Challenge from the new entrants - While the most veteran ESPs are now focused on integration, newcomers or second-tier e-mail vendors are ramping up their capabilities and market presence. For example, UK-based ESPs such as Adestra and Dotmailer are penetrating the US market.

8. FINANCIAL ANALYSIS

Constant growth and cash to spend

MailUp's revenues and portfolio of clients have increased steadily since its definitive set-up in 2004, reaching net sales of €8m in FY2014. The trailing 5-year net sales CAGR was +44%.



Source: Company data – FY2013 and FY2014 consolidated financial statements

Consolidated Profit and Loss

€m	2013A	2014A
Revenues	6.5	8.0
<i>YoY %</i>	-	22.7%
Cost of sales	(1.6)	(1.8)
Gross Profit	4.9	6.2
<i>Margin</i>	75.2%	77.7%
Personnel	(3.1)	(3.8)
Other operating costs	(1.3)	(1.7)
EBITDA	0.5	0.8
<i>Margin</i>	7.7%	10.3%
D&A	(0.4)	(0.6)
EBIT	0.1	0.2
<i>Margin</i>	1.2%	2.6%
Interest	0.0	(0.0)
EBT	0.1	0.2
<i>Margin</i>	1.2%	2.5%
Income taxes	(0.1)	(0.1)
Net Income (Loss)	(0.04)	0.1

Source: Company data

In FY2014 MailUp reported €8m consolidated net sales (+23% on prior year). Revenues are generated by the yearly subscription fees paid for MailUp's

message marketing cloud platform. Revenues from e-mail messaging, which account for 75% of total sales, show a steady growth trend of around 27%, while revenues from SMS transmission services, representing 23% of total (the rest are other marginal ancillary services provided by the subsidiary Network Srl), are subject to slightly more volatility, but have also grown at a recent 2-year CAGR of 27%.

In 2014, e-mail grew at a slightly higher rate than SMS, respectively 24% yoy growth rate vs. 22% for SMS.

Cost of sales mainly includes the cost of SMSs (for around 65-70% of total), which are passed on to clients with a mark-up. The rest of cost of sales is represented by other variable costs. Cost of sales accounted for around 22% of revenues in 2014.

Permanent R&D investment

Other operating costs include marketing and sales and G&A. Such amounts are net of capitalized expenses, amortized in the following years, which are accounted for as intangible assets, for a yearly amount of €1m. Such costs capitalizations refer to 2014 R&D expenses incurred for the development of the software platform. Personnel costs amount to 47% of revenues. The Company today employs around 100 people.

MailUp recorded 2014 EBITDA of €0.8m (10% margin), +64% compared to 2013 (€0.5m and 8% margin). Such result should also be viewed taking into consideration yearly capitalized costs of €1m as should EBIT, which stood at €0.2m, which are also affected by legacy R&D amortization charges.

Consolidated Balance Sheet

€m	2013A	2014A
Trade receivables	1.3	1.4
Trade payables	(0.6)	(0.8)
Trade Working Capital	0.8	0.6
Other assets	0.6	0.8
Other liabilities	(3.4)	(4.1)
Net Working Capital	(2.1)	(2.7)
Intangible assets	1.2	2.4
Fixed assets	0.8	0.7
Non-current assets	2.0	3.2
Provisions	(0.4)	(0.5)
Net Invested Capital	(0.5)	(0.0)
Net Debt / (Cash)	(0.6)	(3.3)
Equity	0.1	3.3
Sources	(0.5)	(0.0)

Source: Company data

MailUp carries a negative net working capital on its balance sheet which allows it to absorb less cash as it grows. The negative working capital derives from its ability to cash in yearly upfront annual subscription fees, hence part of the fees are accounted as deferred revenue. Invested capital mainly derives from capitalized R&D expenses which were sustained to craft and develop its current marketing platform. From the sources side, the balance sheet shows a current financial position represented by €3.3m net cash.

Consolidated Cash Flow

€m	2014A
EBIT	0.2
Current taxes	(0.1)
D&A	0.6
Provisions	0.2
Operating cash flow	0.8
Trade Working Capital	0.1
(Capex)/Disposal	(1.8)
Other receivables and payables	0.5
Free cash flow	(0.4)
Interest	(0.0)
Change in Equity	3.1
Net cash flow	2.7
Net (Debt) / Cash - Beginning	0.6
Net (Debt) / Cash - End	3.3
Change in Net (Debt) / Cash	(2.7)

Source: Company data

Cash generation by the Company was negative in 2014 mainly due to capex and insufficient profitability unable to off-set cash charges. The following chart indicates ratios describing the significant evolution in the Company's financial performance between 2013 and 2014.

Ratio analysis

KPIs	2013A	2014A
ROE	neg.	2.1%
ROS (EBIT/Revenues)	1.2%	2.6%
ROIC (NOPAT/Invested Capital)	neg.	neg.
DSO	60	52
DPO	56	69
NWC/Revenues	-31.4%	-33.3%
Net Debt (Cash) / EBITDA	-1.2x	-4.0x
Net Debt (Cash) / Equity	-4.7x	-1.0x
Net Debt (Cash) / (Net Debt (Cash))	1.3x	n.m.
FCF / EBITDA	n.a.	neg.

Source: Company data

9. OUR ESTIMATES

Strong future visibility and recurring revenue

Market trend assumptions

Our general assumption is that the size of the e-mail market is of almost “unlimited” depth and breadth. This being due to the fact that corporates could decide to structure their e-mail marketing function, through a dedicated suite, in virtually all geographies where they are present. In the short/mid-term we assume the Company’s recent growth rate as sustainable, if not conservative. We also believe that MailUp’s continuous additions of new clients, sustained through the launch of new product suites (i.e. B-plugin) and integration of new acquired businesses (i.e. Acumbamail) could underpin growth rates higher than the industry average.

Key growth drivers

We consider the Company to be able to fulfil its full potential as a growth stock. The announced growth has, and will, further fuel investors’ expectations wishing to capitalize on management’s ability to deliver on such promises. Growth will thus need to derive for a combination of

- Organic sales expansion
- Acquisitions

Consolidated projections

Assumptions

Revenues	<ul style="list-style-type: none"> • Yearly growth rates are estimated by business unit (E-mail and SMS) based, on our forecasts of client additions and on our estimates of e-mail and SMS revenue per client (ARPU) • Client additions: +20% 2015, +17.5% 2016-2017, +15% 2018 • SMS and e-mail ARPU increase +2% • No assumptions on revenues from acquisitions
Gross Profit	<ul style="list-style-type: none"> • Cost of sales includes SMS costs (around 65% of total) and other services • The SMS cost is estimated based on an assumed 50% revenue mark-up on SMS costs
EBITDA	<ul style="list-style-type: none"> • EBITDA benefits from revenue growth and an assumption of efficient personnel cost management. • Other operating costs are assumed decreasing as a percentage of revenues and are offset by assumed R&D cost capitalization • Operating leverage and efficiency gains will drive EBITDA margin in the region of 19%
Working Capital	<ul style="list-style-type: none"> • Trade working capital is estimated through DSO and DPO at respectively 55dd and 65dd (a slight stabilization vs the past) • Other working capital, mostly deferred revenue, is stable, as a percentage of sales, in line with the historical trend
Capex	<ul style="list-style-type: none"> • Intangible capex is estimated in the region of 10-17% of sales, while tangible is negligible (2%)

Source: EnVent Research

Consolidated Profit and Loss

€m	2014A	2015E	2016E	2017E	2018E
Revenues	8.0	9.8	11.7	14.0	16.4
<i>YoY %</i>	22.7%	22.0%	19.5%	19.6%	17.1%
Cost of sales	(1.8)	(2.2)	(2.6)	(3.1)	(3.6)
Gross Profit	6.2	7.6	9.1	10.9	12.8
<i>Margin</i>	77.7%	77.9%	77.8%	77.8%	77.8%
Personnel	(3.8)	(4.2)	(4.8)	(5.4)	(6.0)
Other operating costs	(1.7)	(2.0)	(2.5)	(3.0)	(3.6)
EBITDA	0.8	1.4	1.9	2.5	3.1
<i>Margin</i>	10.3%	14.0%	16.2%	18.1%	19.0%
D&A	(0.6)	(0.8)	(1.2)	(1.6)	(1.5)
EBIT	0.2	0.5	0.7	0.9	1.6
<i>Margin</i>	2.6%	5.6%	5.7%	6.4%	9.9%
Interest	(0.0)	0.0	0.0	0.0	0.0
EBT	0.2	0.5	0.7	0.9	1.6
<i>Margin</i>	2.5%	5.6%	5.7%	6.4%	9.9%
Income taxes	(0.1)	(0.2)	(0.2)	(0.3)	(0.5)
Net Income (Loss)	0.1	0.4	0.5	0.6	1.1

Source: EnVent Research

MailUp generated net sales of €8m in 2014 and we forecast around €10m in 2015 (+22% growth vs. 2014). We are estimating our 4-year horizon exit year revenues to reach €16.4m in 2018 (14-18 CAGR of 19.5%).

Gross margin, which has recently improved, reaching just under 78% of revenues in 2014, should stabilize at this level in the next few years as cost of sales are mainly constituted by SMS costs which pass-through to revenues with a relatively stable mark-up.

We are expecting MailUp's business model to yield operating leverage and hence generate EBITDA growth in excess of revenue growth. We believe that Company's business model is geared to do significantly better than the past and we forecast EBITDA to increase to €3.1m in 2018 (39.4% '14-18 CAGR) with an increase in margin to 19% up from 10%.

EBIT and Net Income are less relevant in a fast growing, high-investment, scenario and hence are impacted by significant D&A costs which mainly derive from recent intangible capex (mainly through capitalized R&D costs). In any event, Net Income should improve from €0.1m in 2014 to €1.1m at the end of the 4-year plan.

Here below is MailUp's forecasted Balance Sheet in our 4 year time horizon:

Operating leverage to drive EBITDA growth

Consolidated Balance Sheet

€m	2014A	2015E	2016E	2017E	2018E
Trade receivables	1.4	1.8	2.2	2.6	3.0
Trade payables	(0.8)	(0.9)	(1.1)	(1.3)	(1.6)
Trade Working Capital	0.6	0.9	1.1	1.3	1.5
Other assets	0.8	0.9	1.1	1.3	1.5
Other liabilities	(4.1)	(4.9)	(5.9)	(7.0)	(8.2)
Net Working Capital	(2.7)	(3.1)	(3.7)	(4.5)	(5.2)
Intangible assets	2.4	3.6	4.4	4.9	5.5
Fixed assets	0.7	0.6	0.5	0.4	0.3
Non-current assets	3.2	4.3	5.0	5.4	5.9
Provisions	(0.5)	(0.5)	(0.5)	(0.6)	(0.7)
Net Invested Capital	(0.0)	0.7	0.8	0.4	(0.0)
Net Debt / (Cash)	(3.3)	(3.0)	(3.3)	(4.4)	(5.9)
Equity	3.3	3.6	4.1	4.7	5.8
Sources	(0.0)	0.7	0.8	0.4	(0.0)

Source: EnVent Research

Net working capital is negative and is a precious source of financing for the business going forward. This derives from the Company's yearly upfront fee payments which are cashed in and booked, for the non-accrual portion, as deferred revenues. Operating working capital is more common: days sales and payables outstanding are on average 55 and 65 days respectively. On the fixed asset side, as clearly reported, most of invested capital is within intangibles, mainly related to the development of the platform and other capitalized R&D costs. We assume that such capex will halve in the forecast period, from 20% to 10% of sales. Tangible capex is negligible. We have not factored in any capex for acquisitions.

Consolidated Cash Flow

€m	2014A	2015E	2016E	2017E	2018E
EBIT	0.2	0.5	0.7	0.9	1.6
Current taxes	(0.1)	(0.2)	(0.2)	(0.3)	(0.5)
D&A	0.6	0.8	1.2	1.6	1.5
Provisions	0.2	(0.0)	0.1	0.1	0.1
Operating cash flow	0.8	1.2	1.7	2.3	2.7
Trade Working Capital	0.1	(0.3)	(0.2)	(0.2)	(0.2)
(Capex)/Disposal	(1.8)	(1.9)	(2.0)	(2.0)	(2.0)
Other assets and liabilities	0.5	0.7	0.8	0.9	1.0
Free cash flow	(0.4)	(0.3)	0.4	1.0	1.5
Interest	(0.0)	0.0	0.0	0.0	0.0
Change in Equity	3.1	0.0	0.0	0.0	0.0
Net cash flow	2.7	(0.3)	0.4	1.0	1.5
Net (Debt) / Cash - Beginning	0.6	3.3	3.0	3.3	4.4
Net (Debt) / Cash - End	3.3	3.0	3.3	4.4	5.9
Change in Net (Debt) / Cash	(2.7)	0.3	(0.4)	(1.0)	(1.5)

Source: EnVent Research

Cash flow from operations has so far been insufficient to off-set capex, even though we believe that the Company will start to deliver on this issue, in the

near future, by slightly reducing investment in intangibles and concentrating on potential cash-flow positive acquisition opportunities which will guarantee continued growth whilst being accretive to cash flow, after proper integration into the business.

Ratio analysis

KPIs	2014A	2015E	2016E	2017E	2018E
ROE	2.1%	10.3%	11.2%	13.1%	19.1%
ROS (EBIT/Revenues)	2.6%	5.6%	5.7%	6.4%	9.9%
ROIC (NOPAT/Invested Capital)	neg.	54.6%	59.4%	n.m.	neg.
DSO	52	55	55	55	55
DPO	69	65	65	65	65
NWC/Revenues	-33.3%	-31.5%	-31.7%	-31.8%	-32.0%
Net Debt (Cash) / EBITDA	-4.0x	-2.2x	-1.8x	-1.7x	-1.9x
Net Debt (Cash) / Equity	-1.0x	-0.8x	-0.8x	-0.9x	-1.0x
Net Debt (Cash) / (Net Debt (Cash))	n.m.	-4.3x	-4.3x	-12.3x	n.m.
FCF / EBITDA	neg.	neg.	19.7%	41.0%	48.4%

Source: EnVent Research

As margins increase, so will ROIC, as the Company is asset-light and has limited investment. The Company will seek to improve cash flow generation as shown in the chart above, in which the EBITDA cash conversion ratio is forecasted to be nearly 50% in 2018.

10. PEER GROUP ANALYSIS

Market value analysis of peers

As key determinants for the selection of MailUp's comparable companies we have identified the following:

- Specialization in digital marketing
- Multi-channel messaging suite offering
- Proprietary technology tool ownership

As to the market values, we have segmented the selected peers in two groups:

- Italian companies listed on AIM, comparable as per digital products business model, size, geographical scope and stock market liquidity
- European and US SaaS suite and e-mail marketing specialists, more diversified by size and better comparable as per business model and technology

We have disregarded data relative to low profitability or loss-making companies considered non-meaningful, thus avoiding unreliable multiples, and have calculated average multiples smoothing extremes (low and high).

Key data comparison

The following charts show a sample of key data and financial metrics of the selected Italian and international peers compared to MailUp. Disregarded data is dot-bordered and highlighted in grey.

AIM Italia Peers (2014)	axélero	DigiTouch	Triboo Media	Mobyt	Expert System	Primi sui Motori	MP7 Italia	Softec	Avg.	MailUp (2014)	Discount (2014)	MailUp (2015)
EV/Revenues	5.8x	1.9x	1.7x	1.5x	3.0x	2.4x	0.3x	0.8x	2.8x	2.4x	-12.6%	2.1x
EV/EBITDA	16.2x	9.5x	10.8x	20.0x	n.m.	neg.	neg.	neg.	14.1x	23.5x	66.0%	15.3x
EV/EBIT	17.5x	12.4x	13.9x	22.5x	n.m.	neg.	neg.	neg.	16.6x	n.m.	n.m.	38.2x
P/E	39.2x	18.3x	30.3x	50.2x	n.m.	neg.	neg.	neg.	34.5x	n.m.	n.m.	n.m.
Market Cap (€m)	74.8	27.5	60.4	27.3	41.4	30.1	11.4	6.4		22.7		24.2
Net (Debt)/Cash + Min. (€m)	17.7	-1.0	12.6	3.0	5.4	-7.9	5.2	-1.1		3.3		3.3
Enterprise Value (€m)	57.1	28.5	47.9	24.3	36.0	38.1	6.2	7.5		19.4		20.9
Adj. Revenues (€m)	9.9	15.2	28.3	16.6	12.0	15.5	20.1	9.8		8.0		9.8
EBITDA (€m)	3.5	3.0	4.4	1.2	0.3	(2.0)	(0.4)	(0.2)		0.8		1.4
EBITDA Margin	36%	20%	16%	7%	2%	neg.	neg.	neg.	8%	10%		14%
EBIT Margin	33%	15%	12%	6%	1%	neg.	neg.	neg.	6%	3%		6%
Net Income Margin	19%	10%	7%	3%	1%	neg.	neg.	neg.	4%	1%		4%

International Peers (2014)	dotDigital	Constant Contact	Salesforce	Trade Doubler	Marketo	Wix.com	HubSpot	Antevenio	Avg.	MailUp (2014)	Discount (2014)	MailUp (2015)
EV/Revenues	4.9x	3.0x	10.7x	0.2x	8.3x	5.0x	8.0x	0.4x	3.9x	2.4x	-38.7%	2.1x
EV/EBITDA	20.0x	26.8x	neg.	neg.	neg.	-13.5x	neg.	neg.	23.4x	23.5x	0.2%	15.3x
EV/EBIT	21.4x	50.5x	neg.	neg.	neg.	-12.8x	neg.	neg.	35.9x	n.m.	n.m.	38.2x
P/E	25.8x	n.m.	neg.	neg.	neg.	-14.1x	neg.	neg.	n.m.	n.m.	n.m.	n.m.
Market Cap (€m)	110.1	960.4	30,918.3	45.8	1,114.0	660.8	871.6	10.9		22.7		24.2
Net (Debt)/Cash + Min. (€m)	11.6	134.4	-1,237.1	13.3	88.0	71.1	102.1	3.0		3.3		3.3
Enterprise Value (€m)	98.4	826.1	32,155.4	32.5	1,026.1	589.8	769.5	7.9		19.4		20.9
Adj. Revenues (€m)	20.3	274.0	3,016.0	182.9	123.9	117.2	95.7	21.2		8.0		9.8
EBITDA (€m)	4.9	30.8	(44.9)	(0.1)	(38.4)	(43.8)	(38.7)	(0.1)		0.8		1.4
EBITDA Margin	24%	11%	neg.	neg.	neg.	neg.	neg.	neg.	18%	10%		14%
EBIT Margin	23%	6%	neg.	neg.	neg.	neg.	neg.	neg.	14%	3%		6%
Net Income Margin	21%	4%	neg.	neg.	neg.	neg.	neg.	neg.	13%	1%		4%

Source: EnVent Research on S&P Capital IQ data, 14 September 2015 – Market capitalizations at end of FY2014, except for DigiTouch and Mobyt, whose market cap is current (IPOs in 2015). Net debt for DigiTouch as per our estimate at 1H2015.

MailUp's size in terms of revenues and profitability is in line with the AIM Italia digital peer group. Looking at the international comparable companies, they have a more advanced stage of development and much wider scope.

Marketo, HubSpot and Wix.com have a different business model. Their offering is more of a marketing tool than a communication tool. Their platforms are also based on the SaaS technology.

Salesforce.com, much larger in size both in terms of revenues and market capitalization, is comparable as per technology (cloud computing platform), but has a more diversified offering with a strong focus on CRM. In 2013, it acquired ExactTarget, a provider of a digital marketing platform for e-mail campaign management.

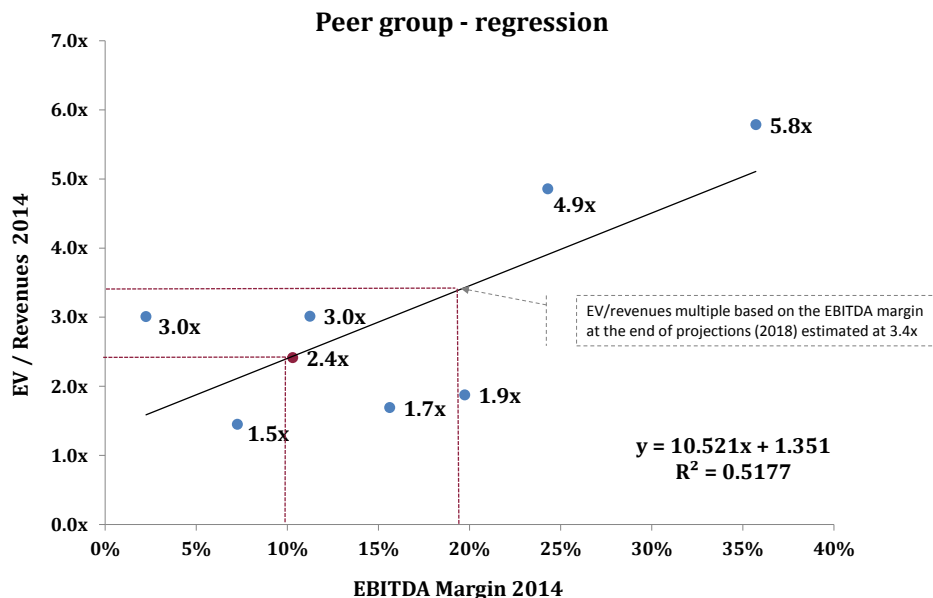
Compared to the AIM Italia peers, MailUp's EV/Revenues multiple is in line with the group average (2.4x vs 2.8x). Looking at the EBITDA, multiples are inconsistent and those on the high side are skewed because of lower profitability, reflecting greater expected future growth.

Compared to the international peer group, MailUp trades at a greater discount (EV/Revenues 2.4x vs 3.9x) when analyzing revenues. At the EBITDA level, MailUp is in line with the group average.

Multiples on Revenues of the group averages are in the region of 3-4x (2.8x and 3.9x), values consistent with those of the following chart.

Regression analysis

Based on the assumption that in a high tech fast growing industry, know-how and growth may be significant value determinants, we have analyzed the peer groups by a regression analysis on EV/Revenues multiple and EBITDA margin.



Source: EnVent Research

The above graph confirms the current valuation multiples for MailUp, which, based on an actual EBITDA margin of 10%, should trade at a 2.4x multiple on revenues.

Based on our projections, by the end of our 4-year plan in which the EBITDA margin is forecasted to reach 19% of revenues, the regression analysis would yield an EV/Revenues multiple equal to 3.4x. This infers that if profitability were raised, and in our opinion cash flow generation, multiples strongly reward the industry.

The above analyzed correlation clearly shows the path to greater value creation achieved by delivering on market position, maintaining its knowledge base and lifting profitability, in addition to executing on the ever-important growth.

11. VALUATION

Value drivers and use of market data

Key value drivers are:

- Uniqueness of its proprietary technology messaging platform
- Pricing model and cloud-based self-provisioning advantage compared to peers
- Piggy-back on significant growth in e-mail marketing activity and transactional e-mail and SMS messaging
- Rich product suites
- Focus on geographical growth also through acquisitions

We view the Company as being well-positioned to capture the growth in e-mail marketing and cloud-based application software solutions, as the best of both worlds. Growth will need to be sustained all through the next years even through potential future acquisitions. We view the stock as a clear growth stock needing to clearly show the way forward by delivering on the market's expectations.

Discounted Cash Flows valuation

The DCF model has been applied to our projections with the following assumptions:

- Risk free rate: 2.0% (Italian 10-year government bonds interest rate. Source: Bloomberg, September 2015)
- Market return: 13.5% (Source: Bloomberg, September 2015)
- Market risk premium: 11.5%
- Beta: 0.59 (Beta of MailUp and average of selected comps. Source: September, July 2015)
- Small size equity premium adjustment: 2% (in order to consider a small company risk profile)
- Cost of equity: 10.8%
- Cost of debt: 7% (Source: EnVent Research)
- Tax rate: 27.5% (IRES)
- 20% debt/(debt + equity) as target capital structure
- WACC estimated at 9.7%
- Perpetual growth rate after explicit projections: 4.5%
- Terminal Value assumes a normalized sustainable EBIT margin of 6.5%

We do not foresee the Company to access to significant debt financing in the short-medium term. As such we have assumed a target capital structure with only 20% debt/invested capital.

DCF Valuation

€m	2014A	2015E	2016E	2017E	2018E	Perpetuity
Revenues	8.0	9.8	11.7	14.0	16.4	16.4
YoY %	-	22.0%	19.5%	19.6%	17.1%	
EBITDA	0.8	1.4	1.9	2.5	3.1	
Margin	10.3%	14.0%	16.2%	18.1%	19.0%	
EBIT	0.2	0.5	0.7	0.9	1.6	1.1
Margin	2.6%	5.6%	5.7%	6.4%	9.9%	6.5%
Taxes	(0.1)	(0.2)	(0.2)	(0.3)	(0.5)	(0.3)
NOPAT	0.1	0.4	0.5	0.6	1.1	0.7
D&A		0.8	1.2	1.6	1.5	2.0
Provisions		(0.0)	0.1	0.1	0.1	0.1
Operating cash flow		1.2	1.7	2.3	2.7	2.8
Trade Working Capital		(0.3)	(0.2)	(0.2)	(0.2)	(0.2)
(Capex)/Disposal		(1.9)	(2.0)	(2.0)	(2.0)	(2.0)
Other receivables and payables		0.7	0.8	0.9	1.0	1.0
Unlevered free cash flow		(0.3)	0.4	1.0	1.5	1.6
WACC	9.7%					
Long-term growth (G)	4.5%					
Discounted Cash Flows		(0.3)	0.3	0.8	1.0	
Sum of Discounted Cash Flows	1.8					
Terminal Value	32.3					
Discounted TV	22.4					
Enterprise Value	24.2					
Net Cash as of 31/12/2014	3.3					
Equity Value	27.5					

DCF - Implied multiples	2014A	2015E	2016E	2017E	2018E
EV/Revenues	3.0x	2.5x	2.1x	1.7x	1.5x
EV/EBITDA	29.3x	17.7x	12.8x	9.5x	7.8x

Source: EnVent Research

Valuation based on peer multiples

We believe that the market valuation of MailUp at this stage of development should be driven by mainly looking at the EV/Revenues multiple, aside from EV/EBITDA, which is the most proper for growth stocks going forward. Expected growth derives from the strategic appeal, market position and technological know-how currently held by the Company. We believe that current profitability, applied to other earnings based multiples such as EV/EBIT or P/E, offer an inadequate and insufficient approach in expressing the value of the stock. We suggest to use forward 2015 and 2016 multiples to better price-in the recurring nature, visibility and growth potential of the business.

Italian *digital* companies listed on AIM are engaged in different businesses. However they may be a relevant performance indicator as per market appeal and multiples at small sizes. We have then included in the value analysis the two international companies that seem more comparable to MailUp as per business model and financial performance.

AIM Italia

Comparables	EV/REVENUES			EV/EBITDA		
	2014	2015E	2016E	2014	2015E	2016E
MailUp	2.4x	2.1x	1.8x	23.5x	15.3x	11.0x
Moby	1.5x	0.8x	0.7x	20.0x	5.6x	3.6x
DigiTouch	1.9x	1.2x	1.0x	9.5x	5.8x	4.7x
Triboo Media	1.7x	1.4x	1.3x	10.8x	7.1x	6.1x
Primi sui Motori	2.4x	1.6x	1.5x	neg.	7.6x	6.1x
Expert System	3.0x	1.7x	1.3x	n.m.	9.0x	6.2x
Mean	2.1x	1.3x	1.2x	13.4x	7.0x	5.3x
Median	1.9x	1.4x	1.3x	10.8x	7.1x	6.1x

International

Comparables	EV/REVENUES			EV/EBITDA		
	2014	2015E	2016E	2014	2015E	2016E
Constant Contact	3.0x	1.7x	1.5x	26.8x	8.4x	6.7x
dotDigital	4.9x	4.2x	3.3x	20.0x	14.1x	12.6x
Mean	3.9x	2.9x	2.4x	23.4x	11.2x	9.7x

Source: EnVent Research on S&P Capital IQ data, 14 September 2015

We have applied to our 2015 and 2016 estimates:

- 2015E multiples from the peer group of the digital AIM Italia companies
- 2015E multiples from the international peer group
- EV/Revenues multiple equal to 3.4x resulting from the regression analysis

AIM Italia

MailUp Valuation - 2015 Multiples			Multiple	EV	Net Cash	Equity Value
2015E Revenues	9.8	1.4x				
2016E Revenues	11.7	1.4x		13.7	3.3	17.0
<i>Mean</i>				16.4	3.3	19.7
						18.3
2015E EBITDA	1.4	7.1x		9.7	3.3	13.0
2016E EBITDA	1.9	7.1x		13.5	3.3	16.7
<i>Mean</i>						14.9

International Peers

MailUp Valuation - 2015 Multiples			Multiple	EV	Net Cash	Equity Value
2015E Revenues	9.8	2.9x				
2016E Revenues	11.7	2.9x		28.4	3.3	31.7
<i>Mean</i>				34.0	3.3	37.3
						34.5
2015E EBITDA	1.4	11.2x		15.3	3.3	18.6
2016E EBITDA	1.9	11.2x		21.2	3.3	24.5
<i>Mean</i>						21.6

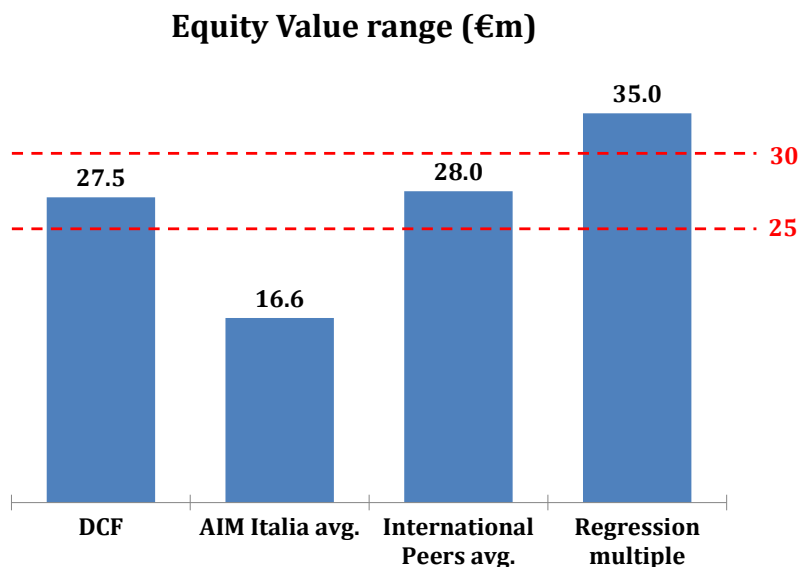
Regression analysis

MailUp Valuation - Regression			Multiple	FWD EV	EV	Net Cash	Equity Value
2015E Revenues	9.8	3.4x					
2016E Revenues	11.7	3.4x		33.3	30.4	3.3	33.7
<i>Mean</i>				39.8	33.1	3.3	36.4
							35.0

Source: EnVent Research

Target price

Our DCF model and 2-year forward peers multiples provide the following Equity Value range:



Source: EnVent Research

We believe that a narrow range of €25-30m of equity value could be a well-balanced indicator to evaluate MailUp's investment case and that the DCF valuation on our projections is a fair reference for a mid-term outlook.

Based on our valuation methodologies and given the current number of shares outstanding equal to 8,000,000, we initiate our coverage of MailUp with a target price per share of €3.44, with a 17% upside on current share price.

MailUp Price per Share		€
Target Price		3.44
Current Share Price (23/09/2015)		2.94
Premium / (Discount)		17%

Source: EnVent Research

Please refer to important disclosures at the end of this report.

ANNEX 1: PEER GROUP ANALYSIS

Profile of selected companies

AIM Italia peers

Triboo Media. Digital advertising company. Core business is brand awareness services and performance advertising. Also publishing products.
2014 revenues: €28m

MP7 Italia. Operates in the advertising bartering.
2014 revenues: €20m

Moby. Delivers solutions for sending SMS messaging services and emails to support marketing and advertising campaigns.
2014 revenues: €17m

Primi sui Motori. Web-marketing specialist with focus on visibility and Search Engine Optimization.
2014 revenues: €16m

DigiTouch. Digital advertising and marketing firm specialized in mobile advertising, performance advertising, data profiling.
2014 revenues: €15m

Expert System. Developer of multilingual semantic analysis platforms dedicated to big data intelligence and information management.
2014 revenues: €12m

Axélero. Internet company. Develops digital marketing and communication solutions and publishing products to improve the online visibility of small and medium-sized enterprises (SMEs) and small-office and home-office operations (SoHos).
2014 revenues: €10m

Softtec. Provides digital marketing solutions in the segments: Agency, Performance, Social and Platform.
2014 revenues: €10m

International peers

Salesforce.com. US provider of a cloud-based customer relationship management (CRM) platform. Its platform includes sales, marketing, social media & community, analytics, apps and IoT applications. In 2013, it acquired ExactTarget, a provider of a cloud digital marketing platform for e-mail campaign management.

2014 revenues: €3bn

Constant Contact. US provider of online marketing solutions designed for small and medium-sized businesses. The suite of services includes a platform enabling customers to launch and monitor marketing campaigns across multiple channels such as e-mail, social media, events, local deals, online listings and surveys.

2014 revenues: €274m

TradeDoubler. Sweden-based digital marketing company offering a SaaS platform. Core business is in performance marketing.

2014 revenues: €183m

Marketo. US-based provider of the cloud-based Engagement Marketing Platform to enable the execution, management and analytical measurement of online, social, mobile and offline marketing activities and customer interactions. Engagement Marketing Platform and suite of applications are hosted and delivered over the web using a cloud-based SaaS model built using modern multi-tenant architecture.

2014 revenues: €124m

Wix.com. Web development platform based in Israel. The cloud-based platform empowers businesses, organizations, professionals and individuals to take their businesses, brands and workflow online.

2014 revenues: €117m

HubSpot. US based provider of an inbound marketing software platform helping companies attract visitors and convert leads. The platform allows to create blog posts, e-books, videos, search engines, social media, landing pages.

2014 revenues: €96m

DotDigital. UK provider of SaaS products for digital marketing, including an e-mail marketing platform (Dotmailer) and online survey tools.

2014 revenues: €20m

Antevenio. Spain-based, listed on the French alternative stock market Alternext. Specialist in performance and brand marketing, especially in leads generation. Owns an e-mail marketing platform (MDirector).

2014 revenues: €21m

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Rating rationale:

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NOT RATED: No rating or target price assigned.

The stock price indicated is the reference price on the day indicated as “Date of Price” in the table on the front page of this publication.

DETAILS ON STOCK RECOMMENDATION

Stock name	MailUp		
Current Recommendation	OUTPERFORM	Previous recommendation	n.a.
Current Target Price (€)	3.44	Previous Target Price (€)	n.a.
Current Share Price (€)	2.94	Previous Share Price (€)	n.a.
Date of Publication	23/09/2015	Date of Previous Publication	n.a.

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