

## IT Services

### Data

Shares Outstanding (m):	14.9
Market Cap. (EURm):	49.4
Enterprise Value (EURm):	44.9
Free Float (%):	30.8%
Av. Daily Trad. Vol. (m):	0.01
Main Shareholder:	Founders 54.9%
Reuters/Bloomberg:	MAIL.MI MAIL IM
52-Week Range (EUR)	2.0 3.3

Source: Factset, UbiBanca estimates

### Performance

	1m	3m	12m
Absolute	0.6%	17.0%	47.8%
Rel. to FTSE	6.9%	16.0%	59.3%

Source: Factset

### Graph area Absolute/Relative 12 M



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## From a spectacular end to an excellent beginning of the year

Facing 1Q19 total gross sales of EUR13.6 million (>50% YoY growth) and taking into account historical seasonal trend, we have revised our estimates of consolidated revenues by >10% to EUR54.3 million in 2019, 12.6% in 2020 and 17.5% in 2021. Specifically, we have risen 2019-2021 revenues of Agile Telecom and BEE respectively by 12.5% and 50% on average; 2019-2021 top line of MailUp SpA has been revised upwards, too (3% on average). Considering the exciting result of Datatrics in 1Q19 (EUR0.37m revenues, equal to FY17 top line), we expect potential incremental costs to support the rapid rump-up of the service, which we assume to record a 2x rise in sales 2020 to EUR5 million (vs EUR4.3 million of previous estimates). Overall, we have revised downwards 2019-2020 EBITDA estimates by 5% on average but increased 2021 EBITDA by 2.4%. The stock is trading at an EV/EBITDA 2019E-2020E of 9.1-6.6x compared to 17.2-14.6x of its European comparable company dotDigital (>EUR290 million market cap). Such huge discount is, in our view, unjustified given its potential superior growth opportunities from the integration of Datatrics. We confirm our BUY rating and set a target price of EUR3.89 (1% upwards revision).

- > In 1Q19 gross sales grew by >50% YoY to EUR13.6 million, confirming the accelerating growth momentum recorded in 2H18 compared to 1H18 (+56% YoY in 2H18 vs +44.7% in 1H18). Once again, Agile Telecom drove the rise (+67% YoY to EUR8.4 million) and BEE more than doubled its revenues (+107% YoY to EUR0.5 million). MailUp was up 18% to EUR3.97 million thanks to a re-pricing action still ongoing. As an effect of the commercial campaign of Datatrics' solution to MailUp customer base, which started in January, 5 Italian clients moved to it.
- > On 10 May, MailUp assigned 0.6% of treasury shares to managers and associates following the positive verification of the current MBO plan. The shares have a lock-up of 30 days; treasury shares now amount to 19.981, equal to 0.13% of share capital. On 18 April, the Ordinary Shareholders' meeting approved a new authorization for purchase and disposal of treasury shares up to 10% of total capital for the next 18 months.
- > Our EUR3.89 per share target price is based on a DCF valuation (WACC 9.9%, g 2%) and implies an EV/EBITDA 19E of 9.6x, 42% below dotDigital. Main risks are: (1) low liquidity; (2) increasing competition in MarTech; (3) M&A disappointment.

### Financials

	2018	2019E	2020E	2021E
Revenues (EURm)	39.0	54.3	65.0	76.4
EBITDA (EURm)	3.8	4.9	6.7	9.0
EBITDA margin (%)	9.7%	9.1%	10.3%	11.8%
EBIT (EURm)	1.9	2.9	4.4	6.3
EPS (EUR)	0.08	0.12	0.18	0.27
CFPS (EUR)	0.17	0.19	0.31	0.48
DPS (EUR)	0.00	0.00	0.00	0.00

Source: Company Data, UBI Banca Estimates

### Ratios

	priced on 22 May 2019			
	2018	2019E	2020E	2021E
P/E(x)	27.8	28.6	18.4	12.2
P/CF(x)	4.0	17.9	11.6	7.3
P/BV(x)	2.2	2.8	2.4	2.0
Dividend Yield	0.0%	0.0%	0.0%	0.0%
EV/EBITDA(x)	7.8	9.1	6.6	4.6
Debt/Equity (x)	-0.4	-0.3	-0.3	-0.4
Debt/EBITDA (x)	-1.7	-1.2	-0.9	-1.0

Source: UBI Banca Estimates \* Basend on average 2018 price

Figure 1 – Breakdown of 1Q gross sales in the period 2017-2019

**In 1Q19 gross sales jumped by over 50% YoY; organic growth was equal to 46% YoY.**

(EURm)	1Q17	1Q18	1Q19	% change
<b>Total gross sales *</b>	<b>6.5</b>	<b>9.1</b>	<b>13.6</b>	50.5%
MailUp	2.9	3.4	4.0	17.7%
Agile Telecom	3.0	5.0	8.4	67.3%
BEE	0.1	0.2	0.5	106.7%
Acumbamail	0.2	0.2	0.3	20.5%
Globase	0.3	0.2	0.1	-57.5%
Datatrix	n.a.	n.a.	0.4	n.a.

Source: Company data

\* Data unaudited

Figure 2. Old vs New estimates of revenues breakdown by segments in 2017-2022E.

**The revision of the estimates regards Agile Telecom and MailUp.**

(EURm)	2017	2018	2019E	2020E	2021E
<b>New estimates</b>					
<b>Total Revenues (Consolidated)</b>	<b>26.4</b>	<b>39.0</b>	<b>54.3</b>	<b>65.0</b>	<b>76.4</b>
email	9.4	10.1	11.7	12.9	14.4
SMS	15.9	27.2	37.0	41.9	45.9
Professional services	0.6	0.5	0.9	1.2	1.5
BEE revenues	0.5	1.2	2.2	4.0	6.5
Predictive Marketing	n.a.	n.a.	2.4	5.0	8.0
<b>Old estimates</b>					
<b>Total Revenues (Consolidated)</b>			<b>49.2</b>	<b>57.8</b>	<b>65.0</b>
Email			11.3	12.5	14.0
SMS			32.6	37.5	41.3
Professional services			0.6	0.7	0.8
BEE revenues			2.2	2.7	3.2
Predictive Marketing			2.4	4.3	5.8
<b>% change</b>			<b>10.3%</b>	<b>12.5%</b>	<b>17.5%</b>
Email			3.8%	3.5%	2.7%
SMS			13.6%	11.6%	11.2%
Professional services			50.0%	71.4%	87.5%
BEE revenues			0.0%	48.1%	103.1%
Predictive Marketing			0.0%	17.2%	38.6%

Source: Company data, UBI Banca estimates

Figure 3 – Old vs. New estimates

(EURm)	2018A	2019E		2020E		2021E	
		Old	New	Old	New	Old	New
Total Sales	39.0	49.2	54.3	57.8	65.0	65.0	76.4
% change			10.4%		12.6%		17.5%
EBITDA	3.77	5.33	4.94	6.92	6.71	8.80	9.02
% change			-7.2%		-3.0%		2.4%
EBIT	1.90	3.32	2.93	4.62	4.38	6.10	6.31
% change			-11.5%		-5.3%		3.5%
Net profit	1.25	2.02	1.73	2.90	2.68	3.90	4.06
% change			-14.3%		-7.5%		4.2%
<b>EBITDA margin</b>	<b>9.7%</b>	<b>10.8%</b>	<b>9.1%</b>	<b>12.0%</b>	<b>10.3%</b>	<b>13.5%</b>	<b>11.8%</b>
<b>EBIT margin</b>	<b>4.9%</b>	<b>6.7%</b>	<b>5.4%</b>	<b>8.0%</b>	<b>6.7%</b>	<b>9.4%</b>	<b>8.3%</b>

Source: Company data, UBI Banca estimates

Figure 4. Revenues and EBITDA breakdown by companies in 2017-2021E.

**For SMS we assume mainly volume growth.**

(EURm)	2017	2018	2019E	2020E	2021E
<b>Value of Production</b>	27.3	40.2	55.7	66.7	78.3
MailUp	11.3	13.1	15.2	16.7	18.6
Agile Telecom	14.8	26.3	36.0	40.9	44.9
Acumbamail	0.7	0.9	1.0	1.2	1.3
BEE	0.6	1.2	2.2	4.0	6.5
Globase	1.0	0.7	0.9	1.2	1.5
Datatics			2.4	5.0	8.0
Holding	1.5	1.4	1.4	1.4	1.4
Intercompany	-2.6	-3.4	-3.5	-3.7	-4.0
<b>Total EBITDA</b>	<b>2.9</b>	<b>3.8</b>	<b>5.0</b>	<b>6.7</b>	<b>9.0</b>
MailUp	2.8	2.4	2.7	3.0	3.3
Agile Telecom	1.4	2.5	3.3	3.7	4.0
Acumbamail	0.3	0.2	0.2	0.2	0.2
BEE	0.0	0.4	1.0	1.7	2.4
Globase	-0.5	-0.1	0.0	0.1	0.1
Datatics			-0.6	-0.3	0.5
Holding	-1.1	-1.6	-1.6	-1.6	-1.6
<b>EBITDA margin %</b>	<b>10.5%</b>	<b>9.5%</b>	<b>9.1%</b>	<b>10.4%</b>	<b>11.8%</b>
MailUp	24.8%	18.3%	18.0%	18.0%	18.0%
Agile Telecom	9.1%	9.5%	9.1%	9.0%	9.0%
Acumbamail	35.7%	22.2%	16.5%	16.7%	16.8%
BEE	-6.7%	33.3%	44.3%	42.5%	36.9%
Globase	-45.0%	-14.3%	0.0%	4.2%	6.7%
Datatics			-25.0%	-6.0%	6.2%
Holding	-70.0%	-114.3%	-114.3%	-114.3%	-114.3%

Source: Company data, UBI Banca estimates

Figure 5. Shareholder structure

**On 10 May, 89.9k treasury shares were assigned to certain managers and associates as an effect of positive verification of the current MBO plan. Therefore, treasury shares now amount to 19.981. We highlight that, in case of total earn-out in the next 4 years, Datatics shareholders' could reach 11.89% of total capital.**

Shareholders	# of shares (m)	% stake
Luca Azzali (Director BU MailUp)	1.67	11.2%
Nazzareno Gorni (CEO)	1.68	11.1%
Alberto Miscia (Manager BU MailUp)	1.66	11.1%
Matteo Monfredini (Chairman)	1.66	11.1%
Matteo Bettoni (Director BU Agile Telecom)	1.53	10.3%
Gianluca Pronti (including Zoidberg's stake)	1.23	8.3%
Employees	0.22	1.5%
Treasury shares	0.02	0.1%
BMC Holding (Datatics' shareholders)*	0.66	4.4%
Market	4.61	30.8%
<b>Total</b>	<b>14.93</b>	<b>100.0%</b>

Source: Company data as of 10 May 2019

\*subject to lock-up

Figure 6. Peer comparison and valuation based on multiples priced on 22 May 2019

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

	Market Cap (EURm)	EV/Sales		EV/EBITDA		EV/EBIT	
		2019E	2020E	2019E	2020E	2019E	2020E
Alkemy SpA	63	0.7x	0.6x	8.6x	7.0x	10.5x	8.2x
DigiTouch SpA	18	0.5x	0.4x	3.0x	2.2x	5.9x	3.8x
Triboo SpA	54	0.7x	0.6x	4.8x	3.9x	11.9x	8.3x
Italian AIM peers Average		0.7x	0.5x	5.5x	4.4x	9.4x	6.8x
dotDigital Group plc	293	4.9x	4.0x	16.4x	13.9x	20.9x	17.7x
IMImobile PLC	208	1.3x	1.2x	10.5x	9.4x	13.6x	12.3x
Foreign peers Average		3.1x	2.6x	13.4x	11.7x	17.3x	15.0x
<b>Average</b>		1.9x	1.6x	9.8x	8.3x	13.4x	11.0x
<b>MailUp</b>	<b>49</b>	0.8x	0.7x	9.1x	6.6x	15.3x	10.1x
<b>Premium/Discount to average</b>		-58%	-55%	-7%	-20%	14%	-8%
<b>MailUp at target</b>		<b>0.9x</b>	<b>0.8x</b>	<b>10.4x</b>	<b>7.6x</b>	<b>17.5x</b>	<b>11.7x</b>
<b>Premium/Discount to average</b>		<b>-51%</b>	<b>-52%</b>	<b>6%</b>	<b>-8%</b>	<b>31%</b>	<b>7%</b>
<b>Premium/Discount to Dotdigital</b>		<b>-81%</b>	<b>-81%</b>	<b>-40%</b>	<b>-48%</b>	<b>-15%</b>	<b>-33%</b>

Source: Company data, UBI Banca estimates

## Income Statement

(EURm)	2018	2019E	2020E	2021E
Net Revenues	39.0	54.3	65.0	76.4
EBITDA	3.8	4.9	6.7	9.0
EBITDA margin	9.7%	9.1%	10.3%	11.8%
EBIT	1.9	2.9	4.4	6.3
EBIT margin	4.9%	5.4%	6.7%	8.3%
Net financial income /expense	0.0	0.0	0.0	0.0
Associates & Others	0.0	0.0	0.0	0.0
Profit before taxes	1.9	3.0	4.4	6.3
Taxes	-0.7	-1.2	-1.7	-2.3
Minorities & discontinuing ops	0.0	0.0	0.0	0.0
Net Income	1.3	1.7	2.7	4.1

Source: Company data, UBI Banca estimates

## Balance Sheet

(EURm)	2018	2019E	2020E	2021E
Net working capital	-8.3	-7.5	-7.1	-7.4
Net Fixed assets	23.4	24.7	26.4	28.2
M/L term funds	-5.5	-5.3	-5.3	-5.3
Capital employed	9.6	12.0	14.0	15.6
Shareholders' equity	15.9	17.7	20.3	24.4
Minorities	0.0	0.0	0.0	0.0
Shareholders' funds	15.9	17.7	20.3	24.4
Net financial debt/(cash)	-6.4	-5.7	-6.3	-8.8

Source: Company data, UBI Banca estimates

## Cash Flow Statement

(EURm)	2018	2019E	2020E	2021E
NFP Beginning of Period	-7.3	-6.4	-5.7	-6.3
Group Net Profit	1.3	1.7	2.7	4.1
Minorities	0.0	0.0	0.0	0.0
D&A	1.9	2.0	2.3	2.7
Change in Funds & TFR	5.5	-1.0	-0.8	0.0
Gross Cash Flow	8.7	2.8	4.3	6.8
Change In Working Capital	-1.3	-0.1	0.4	0.3
Other	-4.9	0.1	0.0	0.1
Operating Cash Flow	2.5	2.8	4.6	7.1
Net Capex	-3.3	-3.5	-4.0	-4.6
Other Investments	-0.5	0.0	0.0	0.0
Free Cash Flow	-1.3	-0.7	0.6	2.5
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.	0.4	0.0	0.0	0.0
Change in NFP	-0.9	-0.7	0.6	2.5
NFP End of Period	-6.4	-5.7	-6.3	-8.8

Source: Company data, UBI Banca estimates

## Financial Ratios

(%)	2018	2019E	2020E	2021E
ROE	8.4%	10.3%	14.1%	18.2%
ROI (pre-tax)	16.5%	18.2%	23.9%	31.4%
Net Fin. Debt/Equity (x)	-0.4	-0.3	-0.3	-0.4
Net Fin. Debt/EBITDA (x)	-1.7	-1.2	-0.9	-1.0
Interest Coverage	0.0	0.0	0.0	0.0
NWC/Sales	-21.2%	-13.8%	-10.9%	-9.7%
Capex/Sales	8.5%	6.4%	6.2%	6.0%
Pay Out Ratio	0.0%	0.0%	0.0%	0.0%

Source: Company data, UBI Banca estimates

## Per Share Data

(EUR)	2018	2019E	2020E	2021E
EPS	0.08	0.12	0.18	0.27
DPS	0.00	0.00	0.00	0.00
Op. CFPS	0.17	0.19	0.31	0.48
Free CFPS	-0.09	-0.04	0.04	0.17
BVPS	1.07	1.18	1.36	1.63

Source: Company data, UBI Banca estimates

## Stock Market Ratios

(x)	2018*	2019E	2020E	2021E
P/E	27.8	28.6	18.4	12.2
P/OpCFPS	14.1	17.6	10.7	6.9
P/BV	2.2	2.8	2.4	2.0
Dividend Yield (%)	0.0%	0.0%	0.0%	0.0%
Free Cash Flow Yield (%)	Nm	nm	1.3%	5.4%
EV (EURm)	29.6	44.9	44.3	41.8
EV/Sales	0.8	0.8	0.8	0.7
EV/EBITDA	7.8	9.1	6.6	4.6
EV/EBIT	15.6	15.3	10.1	6.6
EV/Capital Employed	3.1	3.8	3.2	2.7

Source: Company data, UBI Banca estimates

\* Based on average 2018 price

## Growth Rates

(%)	2018	2019E	2020E	2021E
Growth Group Net Sales	47.6%	39.1%	19.8%	17.4%
Growth EBITDA	30.9%	31.1%	35.8%	34.4%
Growth EBIT	48.2%	54.6%	49.2%	44.2%
Growth Net Profit	128.6%	37.8%	55.2%	51.4%

Source: Company data, UBI Banca estimates

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*In relation to the Company the following interest/conflict of interest have been found:*

- > UBI Banca acts as Corporate Broker for MailUp.
- > UBI Banca may have long or short positions with the issuer

*On the basis of the checks carried out no other interest/conflict of interest arose.*

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The analysts use the above valuation methods alternatively and/or jointly at their discretion. The assigned target price may differ from their fair value, as it also takes into account overall market/sector conditions, corporate/market events, and corporate specifics (i.e. holding discounts) reasonably considered to be possible drivers of the company's share price performance. These factors may also be assessed using the methodologies indicated above.

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#### **Ranking system**

UBI Banca's analysts use an "absolute" rating system, not related to market performance. The explanation of the rating system is listed below:

*Buy: if the target price is 15% higher than the market price, over the next 12 months.*

*Hold: if the target price is 15% below or 15% above the market price, over the next 12 months.*

*Sell: if the target price is 15% lower than the market price, over the next 12 months.*

*No Rating: the investment rating and target price have been suspended as there is not sufficient fundamental basis for determining an investment rating or target. The previous investment rating and target price, if any, are no longer in effect. Alternatively, No Rating is assigned in certain circumstances when UBI Banca is acting in any advisory capacity in a strategic transaction involving the Company.*

*Target price: the market price that the analyst believes that the share may reach within a one-year time horizon.*

*Market price: closing price on the day before the issue date of the report, appearing on the first page.*

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#### Distribution of ratings

<b>Equity rating dispersion in the past 12 months</b>			
<b>Buy</b>	<b>Hold</b>	<b>Sell</b>	<b>No Rating</b>
89.4%	6.4%	0.0%	4.3%
<b>Proportion on issuers to which UBI Banca has supplied investment banking services relating to the last 12 months</b>			
<b>Buy</b>	<b>Hold</b>	<b>Sell</b>	<b>No Rating</b>
100%	100%	-	100%

For further information regarding yearly and quarterly rating statistics and descriptions, please refer to [www.ubibanca.com/equity-research](http://www.ubibanca.com/equity-research).

#### Historical ratings and target prices

<b>Date</b>	<b>Rating</b>	<b>Target Price (EUR)</b>	<b>Market Price (EUR)</b>
17 October 2018	BUY	3.63	2.44
15 January 2019	BUY	3.72	2.52
26 April 2019	BUY	3.85	3.04