

IT Services

Data

Shares Outstanding (m):	14.96
Market Cap. (EURm):	67.2
Enterprise Value (EURm):	62.4
Free Float (%):	30.8%
Av. Daily Trad. Vol. (m):	0.03
Main Shareholder:	Founders 54.9%
Reuters/Bloomberg:	MAIL.MI MAIL IM
52-Week Range (EUR)	2.1 4.5

Source: Factset, UBI Banca estimates

Performance

	1m	3m	12m
Absolute	36.5%	39.0%	91.1%
Rel. to FTSE IT	27.5%	37.2%	93.0%

Source: Factset

Graph area Absolute/Relative 12 M



Oriana Cardani, CFA
Senior Analyst
oriana.cardani@ubibanca.it
Tel. +39 02 62753017

www.ubibanca.com/equity-research

2Q19 gross sales: +15% QoQ

Following new spectacular growth in 2Q19 (gross sales at EUR15.7 million, +15% QoQ vs +4% average growth recorded in the last 2 years) and taking into account the structural drop of yield due to dovish tone by ECB and FED, we have changed our EPS 2019-2021 forecast (13% average upwards revision), reduced risk free rate from 3.5% to 2.5% and increased our target price by 34% to EUR5.2 per share. Specifically, we have risen 2019-2021 revenues of Agile Telecom by 12.5%; regarding BEE, we now assume EUR3 million sales in 2019 and EUR5 million in 2020 (additional EUR1 million in both years). Overall, we have revised upwards 2019-2021 revenues by 10% on average and EBITDA by 9.6% average. The stock is trading at an EV/EBITDA 2019E-2020E of 11-8.5x compared to 18-15x of its European comparable company dotDigital (>EUR300 million market cap). We highlight that MailUp had EUR6.4 million net cash as at end-2018 to potentially finance acquisitions of profitable companies with revenues generated mainly in Europe and USA. We confirm our BUY rating.

- > In 2Q19 gross sales grew by 65% YoY to EUR15.7 million, equal to a 15% QoQ growth. Major surprises were again concentrated in Agile Telecom (+94% YoY to EUR10.3 million) and BEE (+106% YoY to EUR0.7 million) which consolidated its global leadership position in the email content creation sector. As an effect of the commercial campaign of Datatrics' solution to MailUp customer base in Italy, which started in January, 24 Italian clients moved to it (5 in 1Q19, 19 in 2Q19). 1H19 gross sales closed at EUR29.4 million (+58% YoY): EUR18.7 million generated by Agile Telecom (+81% YoY) and EUR8 million by MailUp (+12% YoY).
- > Following the nomination of Lagarde to head the ECB, we believe that the YTD drop in Bund yield (54bp) and the tighter BTP-Bund spread (49bp) will be permanent considering her consensus-building ability to maintain dovish stance and resume QE. Therefore we reduce the risk free rate from 3.5% to 2.5%, equal to 6 months average BTP10Y yield. Our WACC falls to 9% (from 10%) lifting DCF valuation by 17% to EUR4.55. The upwards revision of estimates provided further 16% upside.
- > Our EUR5.2 per share target price is based on a DCF valuation (WACC 9%, g 2%) and implies an EV/EBITDA 19E of 12.7x, 30% 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	59.9	71.3	83.1
EBITDA (EURm)	3.8	5.6	7.3	9.6
EBITDA margin (%)	9.7%	9.3%	10.2%	11.6%
EBIT (EURm)	1.9	3.5	4.8	6.7
EPS (EUR)	0.08	0.14	0.20	0.29
CFPS (EUR)	0.17	0.23	0.34	0.50
DPS (EUR)	0.00	0.00	0.00	0.00

Source: Company Data, UBI Banca Estimates

Ratios

	priced on 10 July 2019			
	2018	2019E	2020E	2021E
P/E(x)	27.8	31.4	22.7	15.6
P/CF(x)	4.0	20.7	14.4	9.3
P/BV(x)	2.2	3.7	3.2	2.7
Dividend Yield	0.0%	0.0%	0.0%	0.0%
EV/EBITDA(x)	7.8	11.1	8.5	6.2
Debt/Equity (x)	-0.4	-0.3	-0.3	-0.4
Debt/EBITDA (x)	-1.7	-1.1	-0.9	-0.9

Source: UBI Banca Estimates * Basend on average 2018 price

Figure 1 – 2Q19 and 1H19 gross sales by companies

In 2Q19 gross sales jumped by over 65% YoY; organic growth was equal to 60% YoY.

(EURm, %)	2Q18A	2Q19A	% change	1H18A	1H19A	% change
Total gross sales	9.5	15.7	65.0%	18.6	29.4	58.3%
MailUp*	3.6	4.0	9.5%	7.2	8.0	11.8%
Agile Telecom	5.3	10.3	93.7%	10.3	18.7	80.9%
BEE	0.3	0.7	106.0%	0.6	1.2	106.3%
Acumbamail	0.3	0.3	20.8%	0.5	0.6	20.7%
Datatrix	n.a.	0.5			0.8	

Source: company data unaudited; *MailUp's business units aggregate also Globase, that is no longer presented as a separate business unit because it acts as a mere commercial branch of MailUp.

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

In Agile Telecom we estimate volume effect while in BEE both pricing&volume

(EURm)	2017	2018	2019E	2020E	2021E
New estimates					
Total Revenues (Consolidated)	26.4	39.0	59.9	71.3	83.1
email	9.4	10.1	11.7	12.9	14.4
SMS	15.9	27.2	41.7	47.1	51.7
Professional services	0.6	0.5	0.9	1.2	1.5
BEE revenues	0.5	1.2	3.2	5.0	7.5
Predictive Marketing	n.a.	n.a.	2.4	5.0	8.0
Old estimates					
Total Revenues (Consolidated)			54.3	65.0	76.4
Email			11.7	12.9	14.4
SMS			37.0	41.9	45.9
Professional services			0.9	1.2	1.5
BEE revenues			2.2	4.0	6.5
Predictive Marketing			2.4	5.0	8.0
% change			10.4%	9.6%	8.8%
Email			0.0%	0.0%	0.0%
SMS			12.5%	12.5%	12.5%
Professional services			0.0%	0.0%	0.0%
BEE revenues			45.5%	25.0%	15.4%
Predictive Marketing			0.0%	0.0%	0.0%

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	54.3	59.9	65.0	71.3	76.4	83.1
% change			10.4%		9.6%		8.8%
EBITDA	3.77	4.94	5.60	6.71	7.26	9.02	9.60
% change			13.2%		8.2%		6.5%
EBIT	1.90	2.93	3.51	4.38	4.79	6.31	6.72
% change			19.6%		9.5%		6.4%
Net profit	1.25	1.73	2.14	2.68	2.96	4.06	4.30
% change			23.6%		10.3%		5.8%
Net debt((Cash)	-6.4	-5.7	-6.0	-6.3	-6.7	-8.9	-9.1
EBITDA margin	9.7%	9.1%	9.3%	10.3%	10.2%	11.8%	11.6%
EBIT margin	4.9%	5.4%	5.9%	6.7%	6.7%	8.3%	8.1%

Source: Company data, UBI Banca estimates

Figure 4. Peer comparison and valuation based on multiples priced on 10 July 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	61	0.7x	0.6x	8.4x	6.8x	10.2x	8.0x
DigiTouch SpA	19	0.5x	0.4x	3.2x	2.4x	6.4x	4.2x
Triboo SpA	48	0.7x	0.6x	4.4x	3.5x	10.7x	7.5x
Italian AIM peers Average		0.6x	0.5x	5.3x	4.2x	9.1x	6.5x
dotDigital Group plc	307	5.3x	4.5x	18.1x	15.3x	21.5x	18.3x
IMImobile PLC	219	1.4x	1.3x	11.2x	9.8x	14.3x	12.5x
Foreign peers Average		3.4x	2.9x	14.6x	12.5x	17.9x	15.4x
Average		2.0x	1.7x	10.0x	8.4x	13.5x	11.0x
MailUp	67	1.0x	0.9x	11.1x	8.5x	17.8x	12.9x
Premium/Discount to average		-48%	-46%	12%	1%	31%	17.4%
MailUp at target		1.2x	1.0x	12.7x	9.8x	20.2x	14.8x
Premium/Discount to average		-41%	-41%	27%	17%	50%	35.1%
Premium/Discount to Dotdigital		-78%	-78%	-30%	-36%	-6%	-18.9%

Source: Company data, UBI Banca estimates

Income Statement

(EURm)	2018	2019E	2020E	2021E
Net Revenues	39.0	59.9	71.3	83.1
EBITDA	3.8	5.6	7.3	9.6
EBITDA margin	9.7%	9.3%	10.2%	11.6%
EBIT	1.9	3.5	4.8	6.7
EBIT margin	4.9%	5.9%	6.7%	8.1%
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	3.5	4.8	6.7
Taxes	-0.7	-1.4	-1.9	-2.4
Minorities & discontinuing ops	0.0	0.0	0.0	0.0
Net Income	1.3	2.1	3.0	4.3

Source: Company data, UBI Banca estimates

Balance Sheet

(EURm)	2018	2019E	2020E	2021E
Net working capital	-8.3	-7.7	-7.3	-7.4
Net Fixed assets	23.4	25.0	26.9	29.0
M/L term funds	-5.5	-5.3	-5.3	-5.3
Capital employed	9.6	12.1	14.4	16.2
Shareholders' equity	15.9	18.1	21.0	25.3
Minorities	0.0	0.0	0.0	0.0
Shareholders' funds	15.9	18.1	21.0	25.3
Net financial debt/(cash)	-6.4	-6.0	-6.7	-9.1

Source: Company data, UBI Banca estimates

Cash Flow Statement

(EURm)	2018	2019E	2020E	2021E
NFP Beginning of Period	-7.3	-6.4	-6.0	-6.7
Group Net Profit	1.3	2.1	3.0	4.3
Minorities	0.0	0.0	0.0	0.0
D&A	1.9	2.1	2.5	2.9
Change in Funds & TFR	5.5	-1.0	-0.8	0.0
Gross Cash Flow	8.7	3.2	4.7	7.2
Change In Working Capital	-1.3	0.1	0.4	0.2
Other	-4.9	0.1	0.0	0.1
Operating Cash Flow	2.5	3.5	5.1	7.4
Net Capex	-3.3	-3.8	-4.4	-5.0
Other Investments	-0.5	0.0	0.0	0.0
Free Cash Flow	-1.3	-0.4	0.7	2.4
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	-0.4	0.7	2.4
NFP End of Period	-6.4	-6.0	-6.7	-9.1

Source: Company data, UBI Banca estimates

Financial Ratios

(%)	2018	2019E	2020E	2021E
ROE	8.4%	12.6%	15.1%	18.6%
ROI (after-tax)	11.1%	14.5%	17.4%	21.9%
Net Fin. Debt/Equity (x)	-0.4	-0.3	-0.3	-0.4
Net Fin. Debt/EBITDA (x)	-1.7	-1.1	-0.9	-0.9
Interest Coverage	0.0	0.0	0.0	0.0
NWC/Sales	-21.2%	-12.8%	-10.2%	-9.0%
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	0.14	0.20	0.29
DPS	0.00	0.00	0.00	0.00
Op. CFPS	0.17	0.23	0.34	0.50
Free CFPS	-0.09	-0.02	0.04	0.16
BVPS	1.07	1.21	1.41	1.69

Source: Company data, UBI Banca estimates

Stock Market Ratios

(x)	2018*	2019E	2020E	2021E
P/E	27.8	31.4	22.7	15.6
P/OpCFPS	14.1	19.3	13.2	9.1
P/BV	2.2	3.7	3.2	2.7
Dividend Yield (%)	0.0%	0.0%	0.0%	0.0%
Free Cash Flow Yield (%)	Nm	nm	1.0%	3.6%
EV (EURm)	29.6	62.4	61.7	59.3
EV/Sales	0.9	1.1	0.9	0.8
EV/EBITDA	7.8	11.1	8.5	6.2
EV/EBIT	15.6	17.8	12.9	8.8
EV/Capital Employed	3.1	5.2	4.3	3.7

Source: Company data, UBI Banca estimates

* Based on average 2018 price

Growth Rates

(%)	2018	2019E	2020E	2021E
Growth Group Net Sales	47.6%	53.5%	19.0%	16.6%
Growth EBITDA	30.9%	48.4%	29.7%	32.3%
Growth EBIT	48.2%	85.0%	36.6%	40.2%
Growth Net Profit	128.6%	70.2%	38.6%	45.2%

Source: Company data, UBI Banca estimates

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Date	Rating	Target Price (EUR)	Market Price (EUR)
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15 January 2019	BUY	3.72	2.52
26 April 2019	BUY	3.85	3.04
23 May 2019	BUY	3.89	3.31

+