

MailUp Group

Sector: Marketing Technology

Still growing despite pandemic

MailUp Group is a leading cloud-based marketing technology provider offering its solutions to several thousand customers worldwide, with a consolidated expertise on small to medium-sized enterprises.

Gross sales +4.4% in 2Q, +11.4% in 1H

MailUp Group released consolidated unaudited 2Q20 gross sales up +4.4% YoY at €16.4mn (of which ca. 54% foreign sales), despite the material impact of Covid-19-related global crisis, and implying 1H20 gross sales at €32.7mn, still growing at double-digit rate (+11.4% YoY).

The business unit which recorded the largest 2Q gross sales figure was Agile Telecom (€10.5mn, +2% YoY), affected by a sizeable slowdown from retail SMS almost offset by the increase in transactional messages, while the business unit which recorded the highest growth was Datatrics, with gross sales at €0.7mn in 2Q (+52% YoY). Self-provisioning sales of services (i.e. those directly purchased and activated by the subscriber without a physical interaction in the sales process), such as BEEPro and Acumbamail did not incur any slowdown, with both divisions growing at sound pace.

On the other side, a fall to flattish YoY trend was recorded by BEEPlugin's higher-added value products, denoting some slowdown and postponement of marketing and sales activities, entirely due to pandemic.

Low single-digit decrease was recorded by MailUp business unit, affected by a contraction of both "drive-to-store" SMS (which showed some recovery at the end of 2Q) and professional services, partially compensated by increasing incidence of recurring revenue (at ca. €5.0mn in 2Q, +21% YoY).

2020-21 estimates slightly revised downward

We slightly cut our estimates on average by 5% and 9% in 2020E-21E at topline and EBITDA level, to account a slower market demand and the more robust corporate structure with roughly 40 new hires YTD respectively. Lower earnings contribution combined with a slight worsening working capital dynamics translate into a lower than expected Net Cash Position, likely to come in at €3.6mn as 2020YE.

Fair Value revised at €5.5 per share (from €5.0)

Despite the marginally lower financial forecasts, we are revising upward our fair value at €5.5 per share (from previous €5.0) mainly due to the rerating domestic and international peers have experienced in the latest 3m. Such fair value still embeds an unjustified discount vs. UK and US peers, a discount that in our view should keep shrinking going forward given not only MailUp Group's fundamentals, but also thanks to its effort on making the equity story more and more acknowledged by international investors.



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Fair Value (€) 5.50

Market Price (€) 5.32

Market Cap. (€m) 79.6

KEY FINANCIALS (€m)	2019A	2020E	2021E
TOTAL REVENUES	60.8	66.9	78.2
EBITDA	4.8	4.8	6.5
EBIT	1.8	1.9	3.5
NET PROFIT	1.2	1.3	2.3
NET PROFIT ADJ.	1.8	1.3	2.3
EQUITY	17.0	18.2	20.6
NET FINANCIAL POS.	2.4	3.6	7.4
EPS ADJ. (€)	0.12	0.08	0.15

Source: MailUp Group (historical figures), Value Track (2020E-21E estimates)

RATIOS & MULTIPLES	2019A	2020E	2021E
EBITDA MARGIN (%) (*)	8.1	7.3	8.4
EBIT MARGIN (%) (*)	3.1	2.9	4.5
NET DEBT / EBITDA (x)	nm	nm	nm
NET DEBT / EQUITY (%)	nm	nm	nm
EV/SALES (x)	1.1	1.1	0.9
EV/EBITDA (x)	13.0	15.8	11.1
EV/EBIT (x)	33.8	nm	20.8
P/E ADJ. (x)	36.1	nm	34.3

Source: MailUp Group (2019A), Value Track (2020E-21E estimates)
(*) As % of Revenues from Sales

STOCK DATA

FAIR VALUE (€)	5.50
MARKET PRICE (€)	5.32
SHS. OUT. (m)	15.0
MARKET CAP. (€m)	79.6
FREE FLOAT (%)	36.6
AVG. -20D VOL. (#)	19,753
RIC / BBG	MAIL.MI / MAIL IM
52 WK RANGE	3.54-5.50

Source: Stock Market Data



Business Description

MailUp Group is a leading cloud based digital marketing technology hub currently offering its solutions to several thousand customers worldwide, with a consolidated expertise on small to medium-sized enterprises.

In greater detail, MailUp Group is involved in the provisioning of email marketing services, delivery of mobile text messages (for both transactional and marketing purposes), email editing support, Predictive Marketing CDP and professional services to business clients.

Key Financials

€mn (*)	2018A	2019A	2020E	2021E
Total Revenues	40.2	60.8	66.9	78.2
Chg. % YoY	47.6%	51.2%	10.1%	16.8%
EBITDA	3.8	4.8	4.8	6.5
EBITDA Margin (% of Rev. from Sales)	9.7%	8.1%	7.3%	8.4%
EBIT	1.9	1.8	1.9	3.5
EBIT Margin (% of Rev. from Sales)	4.9%	3.1%	2.9%	4.5%
Net Profit	1.3	1.2	1.3	2.3
Chg. % YoY	nm	-7.3%	9.1%	82.7%
Adjusted Net Profit	1.4	1.8	1.3	2.3
Chg. % YoY	nm	28.7%	-29.3%	82.7%
Net Fin. Position	6.4	2.4	3.6	7.4
Net Fin. Pos. / EBITDA (x)	nm	nm	nm	nm
Capex	-1.2	-3.1	-2.2	-2.4
OpFCF b.t.	1.8	2.2	1.9	4.9
OpFCF b.t. as % of EBITDA	48.0%	46.5%	39.4%	76.1%

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

Investment case

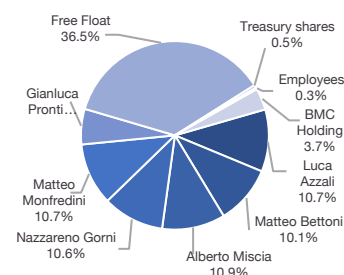
Strengths / Opportunities

- ◆ Full range of marketing technology services (SMS, email, email editor, CDP services, professional ones);
- ◆ Highly diversified customer base ranging from professional marketers to developers and to wholesalers both at a domestic and international level;
- ◆ Intense and effective R&D effort generating high-value opportunities.

Weaknesses / Risks

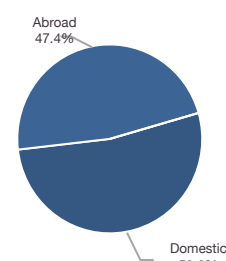
- ◆ Much smaller size if compared to Anglo-Saxons competitors;
- ◆ MarTech moves fast and MailUp group capability to keep up with the pace could be limited due to financial constraints.

Shareholders Structure



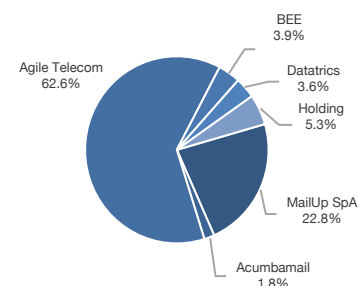
Source: MailUp SpA

2019FY Revenues by geography



Source: MailUp SpA

2019FY Revenues by legal entity



Source: MailUp SpA

Stock multiples @ €5.5 Fair Value

	2020E	2021E
EV / SALES (x)	1.2	1.0
EV / EBITDA (x)	16.3	11.5
EV / EBIT (x)	nm	21.5
EV / CAP.EMP. (x)	5.4	5.7
OpFCF Yield (%)	2.4	6.6
P / E (x)	nm	35.5
P / BV (x)	4.5	4.0
Div. Yield. (%)	0.0	0.0

Source: Value Track

Revenue still up, notwithstanding covid-19 impact

MailUp Group highlights once again its fast-growing profile, still posting positive YoY growth rates despite pandemic.

Indeed, according to recently released gross Sales, the Group shows a steady organic business development across all business units, with consolidated gross sales up 4% and 11% YoY in 2Q and 1H 2020 respectively.

Buoyant results came in from BEE and Datatrics, growing at high double-digit rates, while lower growth rates have been recorded by more “mature” businesses such as MailUp and Agile Telecom.

Having said that, by looking at quarterly figures over the last couple of years, we definitely catch the scale up phase put in place by the Group, with consolidated gross sales almost doubled as also denoted by QoQ growth rate.

MailUp Group: 2Q and 1H Gross Sales in 2019-20

(€'000)	Gross Sales					
	2Q19	2Q20	Chg. YoY	1H19	1H20	Chg. YoY
MailUp SpA	3,980	3,858	-3%	8,020	8,068	1%
Acumbamail	319	407	28%	601	765	27%
Agile Telecom	10,259	10,477	2%	18,693	20,509	10%
BEE	690	951	38%	1,186	1,808	52%
Datatrics	476	722	52%	846	1,549	83%
Total	15,724	16,415	4%	29,347	32,699	11%

Source: MailUp Group, Value Track Analysis

MailUp Group: 1Q18-2Q20 quarterly evolution of Gross Sales

(€mn)	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20
MailUp SpA	3.54	3.64	2.78	3.98	4.04	3.98	3.27	4.54	4.21	3.86
Acumbamail	0.23	0.26	0.24	0.26	0.28	0.32	0.28	0.37	0.36	0.41
Agile Telecom	5.04	5.30	5.27	7.92	8.43	10.26	9.54	9.98	10.03	10.48
BEE	0.24	0.34	0.39	0.47	0.50	0.69	0.84	0.91	0.86	0.95
Datatrics	--	--	--	--	0.37	0.48	0.64	0.78	0.83	0.72
Aggregate	9.05	9.53	8.68	12.62	13.62	15.72	14.56	16.59	16.28	16.42

Source: MailUp Group, Value Track Analysis

Change in 2020E-21E estimates

In the light of recently released 2Q gross sales figures, and the huge uncertainty arising from the coronavirus pandemic, we are revising our financial estimates as follows:

- ◆ **Revenue** – downwards revision at mid-single digit rate in 2020E-21E, driven by different impacts covid-19 might have across business units.

Lower than previously expected growth rates particularly for BEE (on avg. estimates cut by 13.5%), and MailUp (-7.2% on avg.), mostly due to slowdown in market demand for high-end products and professional services.

A low single-digit revision for Agile Telecom, with transactional messages likely to mostly offset the lower contribution from retail SMS, however we still expect a high-single digit growth in 2H20.

Almost unchanged 2020E for Datatrics (we already cut in our previous update), while revenue for 2021E have been revised again downwards to point out the lower sales & marketing activity put in place so far, (i.e. customer acquisition takes up to six months), and the higher churn rate experienced in 2Q.

MailUp Group: 2020E-21E Revenues from Sales forecasts

€mn	2020E			2021E		
	Old	New	Δ (%)	Old	New	Δ (%)
MailUp	17.4	16.2	-6.9%	19.3	17.9	-7.4%
Agile Telecom	43.0	41.5	-3.5%	47.0	46.5	-1.1%
Acumbamail	1.7	1.7	0.0%	2.0	2.0	0.0%
BEE	4.7	4.0	-15.8%	6.9	6.1	-11.3%
Datatrics	3.0	3.0	-1.6%	5.3	4.7	-10.9%
Total Group	69.7	66.2	-5.0%	80.5	77.2	-4.1%

Source: Value Track Analysis

- ◆ **EBITDA** – we revised downwards our estimates at €4.8mn and €6.5mn for 2020E-21E respectively, since corporate strategy seems to remain pretty unchanged, with several new hires across businesses to foster medium term growth, with margins revised on avg. by 40bps across the forecast period;
- ◆ **Operating Cash Flow** – expected to come in at €1.2mn in 2020E, quite below our previous expectation, mostly due to lower earnings contribution and less favourable working capital with large clients willing to defer payments. A gradual recovery is expected in 2021E, with OpFCF at €3.7mn, i.e. ca. 57% of EBITDA;
- ◆ **Net Cash Position** – expected to come in at €3.6mn, a bit lower than previously expected and to progressively increase up to €7.4mn at the end of 2021, likely to be exploited for M&A deals.

MailUp Group: New vs. Old estimates

€mn	2020E			2021E		
	Old	New	Δ(%)	Old	New	Δ(%)
Net Revenues	69.7	66.2	-5.0%	80.5	77.2	-4.1%
EBITDA	5.2	4.8	-7.4%	7.2	6.5	-10.3%
<i>EBITDA margin (%)</i>	<i>7.5%</i>	<i>7.3%</i>	<i>-18bps</i>	<i>9.0%</i>	<i>8.4%</i>	<i>-58bps</i>
EBIT	2.3	1.9	-16.7%	4.2	3.5	-17.6%
<i>EBIT margin (%)</i>	<i>3.3%</i>	<i>2.9%</i>	<i>-40bps</i>	<i>5.2%</i>	<i>4.5%</i>	<i>-74bps</i>
Net Profit	1.5	1.3	-16.6%	2.8	2.3	-17.4%
OpFCF a.t.	1.7	1.2	-25.0%	4.2	3.7	-10.2%
Net Financial Position	4.0	3.6	-0.4	8.2	7.4	-0.8

Source: Value Track Analysis

Valuation Update

Taking into account revised 2020E-21E financial forecasts on one side, and the significant rerating of peers at both domestic (AIM Italia) and international level on the other one, **we update our fair value at €5.5 per share.**

Such fair value is slightly above the €5.0 we set at the end of March (at the peak of sanitary emergency in Italy), and in line with what we calculated in February.

Such fair value still embeds an unjustified discount vs. UK and US peers, a discount that in our view should keep shrinking going forward given not only the fast and healthy growing path put in place so far by the Group, but also thanks to its effort on making the equity story more and more well known by international investors.

That said, our valuation is the result of a Sum-of-the-Parts model, based on the following key assumptions:

- ◆ Revised EV/Sales and EV/EBITDA multiples for MailUp and Agile Telecom to take into account sectorial rerating, albeit still below DotDigital and ImiMobile trading multiples (16.6x and 12.6 EV/EBITDA 20E respectively), by far the most comparable firms;
- ◆ Revised EV/Sales and EV/EBITDA for Acumbamail, in line with MailUp business unit multiples;
- ◆ Unchanged valuation for Datatrics and Bee, coming from our user-based valuation methodology.

We underline MailUp business resiliency, with the Group able to mitigate pandemic implications, at least at topline level.

Although, it remains quite impossible to determine the overall impact of covid-19 “at the end of the day”, we still believe that being a fast-growing tech company is a “plus”, and presumably also stock market is already embedding this “strength”.

Indeed, MailUp share price is at its peak ever, with 3m and YTD performances at 24.5% and 15.9%, overperforming both AIM Italia tech cluster, and the overall ITAIM Index.

AIM Italia tech companies: stock performances

Company	Mkt Cap (€mn)	Daily Turnover (€) (*)	Absolute performances (%)		
			1m	3m	YTD
AMM Group	13.3	7,830	-0.6	-3.4	-45.4
Cyberoo	42.1	72,390	-5.7	22.0	13.0
Digital360	17.7	19,647	4.8	29.4	22.2
Digitouch	16.6	56,775	-5.9	4.8	-9.1
DHH	37.5 (**)	8,065	5.3	42.1	8.5
Expert System	114.2	338,078	-5.9	15.8	-8.8
Maps Group	22.8	25,803	-4.6	15.9	-20.8
Neosperience	44.6	49,036	-4.4	-5.5	-22.7
Relatech	54.7	129,015	-7.5	5.4	157.1
Unidata	41.5	20,014	-0.9	0.0	nm
Websolute	13.2	9,087	-10.0	-3.8	-28.8
Average	38.1	66,885	-3.2	11.2	6.5
Median	32.2	25,803	-4.6	5.4	-9.0
ITAIM Index			-2.6	0.7	-12.1
MailUp Group	79.6	101,881	8.7	24.5	15.9

Source: Bloomberg, Value Track Analysis (*) based on the average of the last 30 trading days

(**) assuming post RTO number of shares

MailUp Group: Sum-of-the-Parts valuation

Company	Stake (%)	EV (€mn)	EV (%)	Valuation Method
MailUp SpA	100%	27.6	28.7%	1.7x EV/Sales '20 - 12.0x EV/EBITDA '20
Agile Telecom	100%	35.6	37.1%	1.1x EV/Sales '20 - 10.0x EV/EBITDA '20
Acumbamail	100%	3.4	3.5%	1.7x EV/Sales '20 - 12.0x EV/EBITDA '20
BEE	100%	16.5	17.2%	User-based Valuation
Datatrix	100%	13.0	13.5%	User-based Valuation
Gross Asset Value		96.1	100.0%	
Group Net Cash Position 2020PF (*)		2.9		
€1.0mn Unallocat. holding costs @ 10.4% WACC		-9.6		
Net Asset Value		89.4		
Number of shares fully diluted		16.2		
Fair equity value per share		5.50		

Source: Value Track Analysis (*) Pro-Forma to take into account the entire cash out for Datatrix

MailUp: P&L figures 2018A-21E

€mn	2018A	2019A	2020E	2021E
Total Revenues	39.0	60.8	66.9	78.2
COGS	-25.7	-43.0	-46.6	-54.3
Labour costs	-9.5	-13.0	-15.5	-17.4
EBITDA	3.8	4.8	4.8	6.5
EBITDA margin (%)	9.7%	8.1%	7.3%	8.4%
Depreciation & Amortization	-1.9	-2.9	-2.9	-3.0
EBIT	1.9	1.8	1.9	3.5
Net Fin. Income (charges)	0.0	0.0	0.0	0.0
Pre-tax Profit	1.9	1.8	1.9	3.5
Taxes	-0.7	-0.7	-0.7	-1.2
Reported Net Profit	1.3	1.2	1.3	2.3
Adjusted Net Profit	1.4 (*)	1.8 (**)	1.3	2.3

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

(*) Adjusted for €0.2mn costs for M&A consultancy and legal activities

(**) Adjusted for one-off item of ca. €1mn (telco supplier) net of tax shield

MailUp: Balance Sheet figures 2018A-21E

€mn	2018A	2019A	2020E	2021E
Net Working Capital	-10.7	-10.7	-9.8	-10.5
Net Fixed Assets	22.0	27.6	26.9	26.3
Provisions	1.8	2.3	2.5	2.7
Total Capital Employed	9.6	14.6	14.6	13.2
Group Net Equity	15.9	17.0	18.2	20.6
Net Fin. Position [i.e. Net Debt (-) Cash (+)]	6.4	2.4	3.6	7.4

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

MailUp: Cash Flow figures 2018A-21E

€mn	2018A	2019A	2020E	2021E
EBITDA	3.8	4.8	4.8	6.5
Working Capital Change	-1.2	0.0	-0.9	0.7
Capex	-1.2	-3.1	-2.2	-2.4
Change in Provisions	0.4	0.5	0.2	0.2
Cash Taxes	-0.7	-1.0	-0.7	-1.2
OpFCF a.t.	1.1	1.3	1.2	3.7
Rou Assets (IFRS 16)	0.0	-4.6	0.0	0.0
Other (Incl. Fin. Inv.)	-2.0	-0.7	0.0	0.0
Net Financial Charges	0.0	0.0	0.0	0.0
Net Cash generated	-0.9	-4.0	1.3	3.8

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

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