

MailUp Group

Sector: Marketing Technology



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Back on track thanks to solid 3Q

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.

A good set of results in 3Q20

MailUp Group 3Q20 key financial figures show signs of recovery from 2Q20 bottom: Revenues at €16.2mn (+13% y/y) better than Gross Sales previously announced (+7% y/y), Gross Profit at €5.0mn (+22% y/y) and EBITDA at €1.3mn (+14% y/y).

The SMS business line recorded the biggest y/y growth, with Sales at €11.2mn (+14% y/y), mostly due to the good performance of Agile Telecom, strongly recovering from the material slowdown of drive to store SMS occurred in 2Q. A similar growth was achieved by the email channel, with Sales at €4.1mn (+14% y/y), thanks to both MailUp business unit and BEE (brilliant performance driven by BEE Pro's success). A contraction was faced by the predictive marketing business segment (Sales at €0.6mn, -6% y/y), due to the negative implications linked to Covid-19 outbreak i.e. the material slowdown in sales process and in marketing investments (trade shows), and the higher churn rate particularly among Travel clients.

EBITDA margin was flat y/y at 8.3% in 3Q (7.4% in 9M), with cost savings on labour and travelling expenses mostly offset by: i) the negative contribution of Datatrics to Group figures, and ii) continuous investments in strategic projects, with R&D and S&M costs growing by 39% y/y.

Lastly, Net Cash Position was €2.1mn at the end of September, slightly worsening vs June'20, basically due to the unfavourable seasonal dynamics.

Estimates almost unchanged for the time being

As far as our 2020E estimates are concerned, we are marginally fine-tuning the top line to factor in the rebound of Agile Telecom, while estimates at EBITDA and EPS level remain almost unchanged.

At the same time, we are leaving unchanged our 2021E-22E forecasts – which embed Datatrics breakeven to occur within 2021 year-end – but we cannot rule out that the ongoing second-wave of Covid-19 might negatively affect growth rates and profitability in the coming quarters.

Fair Value confirmed at €5.65 per share

We confirm our fair valuation on MailUp Group at €5.65 per share obtained with a Sum of the Parts valuation. At fair value, shares would trade at 1.0x EV/Sales and 11.6x EV/EBITDA for 2021E.

Fair Value (€)	5.65
Market Price (€)	4.60
Market Cap. (€m)	68.9

KEY FINANCIALS (€m)	2019A	2020E	2021E
TOTAL REVENUES	60.8	67.4	78.2
EBITDA	4.8	5.0	6.7
EBIT	1.8	1.6	3.0
NET PROFIT	1.2	1.0	2.1
NET PROFIT ADJ.	1.8	1.0	2.1
EQUITY	17.0	18.0	20.1
NET FINANCIAL POS.	2.4	4.1	7.6
EPS ADJ. (€)	0.12	0.07	0.14

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

RATIOS & MULTIPLES	2019A	2020E	2021E
EBITDA MARGIN (%) (*)	8.1	7.5	8.7
EBIT MARGIN (%) (*)	3.1	2.4	3.9
NET DEBT / EBITDA (x)	nm	nm	nm
NET DEBT / EQUITY (%)	nm	nm	nm
EV/SALES (x)	1.1	1.0	0.8
EV/EBITDA (x)	13.0	12.9	9.2
EV/EBIT (x)	33.8	nm	20.3
P/E ADJ. (x)	36.1	nm	33.5

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

STOCK DATA

FAIR VALUE (€)	5.65
MARKET PRICE (€)	4.60
SHS. OUT. (m)	15.0
MARKET CAP. (€m)	68.9
FREE FLOAT (%)	36.6
AVG. -20D VOL. (#)	11,367
RIC / BBG	MAIL.MI / MAIL IM
52 WK RANGE	3.79-5.68

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 (*)	2019A	2020E	2021E	2022E
Total Revenues	60.8	67.4	78.2	90.7
Chg. % YoY	51.2%	10.9%	16.0%	15.9%
EBITDA	4.8	5.0	6.7	8.0
EBITDA Margin	8.1%	7.5%	8.7%	8.9%
EBIT	1.8	1.6	3.0	4.1
EBIT Margin	3.1%	2.4%	3.9%	4.6%
Net Profit	1.2	1.0	2.1	2.8
Chg. % YoY	-7.3%	-10.5%	>100%	33.7%
Adjusted Net Profit	1.8	1.0	2.1	2.8
Chg. % YoY	28.7%	-41.9%	>100%	33.7%
Net Fin. Position	2.4	4.0	7.2	11.6
Net Fin. Pos. / EBITDA (x)	nm	nm	nm	nm
Capex	-3.1	-3.1	-3.3	-3.6
OpFCF b.t.	2.2	2.2	4.1	5.7
OpFCF b.t. as % of EBITDA	46.5%	43.9%	61.9%	70.8%

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

Investment case

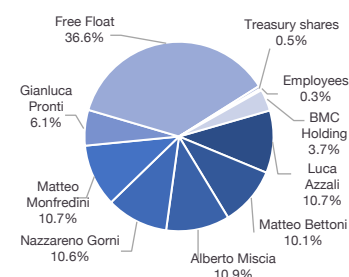
Strengths / Opportunities

- ◆ 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

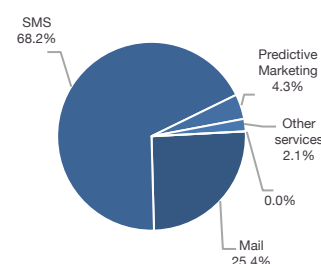
- ◆ Much smaller size if compared to Anglo-Saxons competitors;
- ◆ MarTech moves fast and MailUp group capability to keep up with the pace could be limited due to financial constraints.

Shareholders Structure



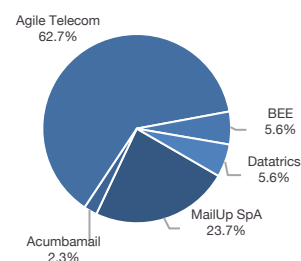
Source: MailUp SpA

9M20 Sales by business line



Source: MailUp SpA

9M20 Sales by legal entity



Source: MailUp SpA

Stock multiples @ €5.65 Fair Value

	2020E	2021E
EV / SALES (x)	1.2	1.0
EV / EBITDA (x)	16.0	11.6
EV / EBIT (x)	nm	25.6
EV / CAP.EMP. (x)	5.8	6.2
OpFCF Yield (%)	2.8	5.8
P / E (x)	nm	40.9
P / BV (x)	4.7	4.2
Div. Yield. (%)	0.0	0.0

Source: Value Track

3Q-9M20 figures at a glance

MailUp Group: 3Q/9M Key financials

€mn	3Q19	3Q20	Δ YoY	9M19	9M20	Δ YoY
Total Revenues	14.3	16.2	+13.1%	43.6	47.9	+9.7%
o/w E-mail	3.6	4.1	+14.4%	10.3	12.2	+17.9%
SMS	9.8	11.2	+13.8%	30.6	32.7	+6.5%
Predictive Marketing	0.7	0.6	-5.9%	1.5	2.0	+35.4%
Other	0.2	0.2	+16.9%	1.1	1.0	-9.8%
Gross Profit	4.1	5.0	+21.8%	12.7	14.8	+16.8%
Gross Margin (%)	28.8%	31.0%	+218bps	29.0%	30.9%	+188bps
EBITDA	1.2	1.3	+13.7%	3.3	3.5	+5.9%
EBITDA Margin (%)	8.3%	8.3%	+5bps	7.6%	7.4%	-26bps
Pre-Tax Profit	0.3	0.4	+22.6%	1.1	0.9	-19.6%

Source: MailUp Group

MailUp Group: 9M Sales and EBITDA breakdown by Business Units

€mn	Sales			EBITDA		
	9M19	9M20	Δ YoY	9M19	9M20	Δ YoY
MailUp	11.0	11.9	+8.4%	2.4	2.8	+19.5%
Agile Telecom	30.0	31.4	+4.9%	0.8	0.9	+10.4%
BEE	1.8	2.8	+59.0%	0.5	0.3	-43.4%
Datatics	1.6	2.1	+32.7%	-0.4	-1.1	nm
Acumbamail	0.9	1.1	+32.8%	0.2	0.3	+33.5%
Holding	2.3	3.6	+55.1%	-0.4	-0.2	+40.9%
Total	47.5	53.0	+11.6%	3.1	2.9	-5.8%
Consol. Adj.	-3.9	-5.2	nm	0.2	0.6	nm
Group	43.6	47.9	+9.7%	3.3	3.5	+5.9%

Source: MailUp Group

MailUp Group: Net Financial Position breakdown

€mn	FY19	1Q20	1H20	9M20
Cash and cash equivalents	9.4	10.5	10.4	10.1
Current financial debt	-0.9	-1.1	-1.0	-1.5
Current financial liabilities RoU IFRS16	-1.0	-1.1	-1.1	-1.1
Current Financial Position	7.4	8.2	8.3	7.6
Debt to Banks over 12 months	-1.5	-2.0	-1.5	-2.6
Non-current financial liabilities RoU IFRS16	-3.6	-3.3	-3.2	-2.9
Non-Current Financial Position	-5.1	-5.2	-4.6	-5.5
Net Financial Position (i.e. Net Cash Pos.)	2.4	3.0	3.7	2.1
Net Financial Position ex. IFRS16	7.0	7.4	7.9	6.0

Source: MailUp Group

Estimates fine-tuning

In light of 3Q/9M released financial figures, **we are marginally fine-tuning our 2020E estimates** as follows:

- ◆ **Revenues expected at €67.4mn**, up €0.5mn vs. old estimates to factor in the good momentum faced by Agile Telecom in 3Q, with a clear recovery from the slowdown of drive to store SMS occurred in 2Q, and imply a double-digit growth in 4QE;
- ◆ **EBITDA unchanged at €5.0mn** embedding higher than previously expected loss from Datatrics, offset by the higher contribution from Agile Telecom, and certain cost savings in labour and travelling expenses achieved so far. Overall, we expect EBITDA to be almost flat y/y in 4QE;
- ◆ **Net Financial Position to come in at €4.0mn**, i.e. ca. €0.1mn below our previous estimate, expected to be positively affected by 4Q seasonality (Christmas holidays, black Friday extension), in spite of less favourable dynamics experienced in 3Q.

MailUp Group: Key 4Q20 financials implied in Value Track 2020E estimates

€mn	9M19A	9M20A	Δ YoY	4Q19A	4Q20E	Δ YoY
Total Revenues	43.6	47.9	+9.7%	17.2	19.6	+13.8%
Gross Profit	12.7	14.8	+16.8%	5.2	5.7	+11.4%
Gross Margin (%)	29.0%	30.9%	nm	30.0%	29.4%	nm
EBITDA	3.3	3.5	+5.9%	1.5	1.5	+2.8%
EBITDA Margin (%)	7.8%	7.5%	nm	8.8%	7.6%	nm
Pre-tax Profit	1.1	0.9	-19.6%	0.7	0.6	-11.7%
FCF				1.1	2.0	nm

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

Conversely, given the poor visibility on medium-term outlook, **we maintain unchanged our 2021E-22E estimates**, but for a slightly worse Net Cash Position, expected at €7.2mn and €11.4mn respectively, however still implying a sound FCF generation (i.e. €9.0mn in 2020E-22E). More, our estimates factor Datatrics breakeven at EBITDA level to come in within 2021YE, with full outcome of the reorganization process of Datatrics business unit to be effective by 3Q21.

MailUp Group: P&L figures 2019A-22E

€mn	2019A	2020E	2021E	2022E
Total Revenues	60.8	67.4	78.2	90.7
COGS	-43.0	-46.9	-54.2	-63.0
Labour costs	-13.0	-15.5	-17.4	-19.7
EBITDA	4.8	5.0	6.7	8.0
EBITDA Margin (%)	8.1%	7.5%	8.7%	8.9%
Depreciation & Amortization	-2.9	-3.5	-3.7	-3.9
EBIT	1.8	1.6	3.0	4.1
Net Fin. Income (charges)	0.0	-0.1	0.0	0.0
Pre-tax Profit	1.8	1.5	3.0	4.1
Taxes	-0.7	-0.5	-1.0	-1.3
Reported Net Profit	1.2	1.0	2.1	2.8

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

MailUp Group: Balance Sheet figures 2019A-22E

€mn	2019A	2020E	2021E	2022E
Net Working Capital	-10.7	-10.8	-11.4	-12.1
Net Fixed Assets	27.6	27.3	26.9	26.6
Provisions	2.3	2.5	2.7	3.1
Total Capital Employed	14.6	14.0	12.9	11.5
Group Net Equity	17.0	18.0	20.1	22.9
Net Fin. Position [i.e. Net Debt (-) Cash (+)]	2.4	4.0	7.2	11.4

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

MailUp: Cash Flow figures 2019A-22E

€mn	2019A	2020E	2021E	2022E
EBITDA	4.8	5.0	6.7	8.0
Change in NWC	0.0	0.1	0.6	0.7
Capex	-3.1	-3.1	-3.3	-3.6
Change in Provisions	0.5	0.2	0.2	0.4
Cash Taxes	-1.0	-0.5	-1.0	-1.3
OpFCF a.t.	1.3	1.7	3.2	4.4
Rou Assets (IFRS 16)	-4.6	0.0	0.0	0.0
Other (Incl. Fin. Inv.)	-0.7	0.0	0.0	0.0
Net Financial Charges	0.0	-0.1	0.0	0.0
Net Cash generated	-4.0	1.7	3.2	4.2

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

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