

Italy – Marketing Technology

MarTech sector consolidation goes on apace

10th December 2020

SECTOR NEWS

RIC: MAIL.MI
BBG: MAIL IM

The Marketing Technology sector is in the midst of a deep consolidation process: Cisco buys IMImobile for \$ 730m, valuing the prey 3.1x and 22.3x Sales₂₁ and EBITDA₂₁ respectively. The transaction multiples entail a further unexpressed upside potential for MailUp. Furthermore, the deal rationale corroborates the effectiveness of MailUp's strategy.

Rating:

Buy

Price Target:

€ 6.60

Upside/(Downside): 49.3%

Last Price: € 4.42

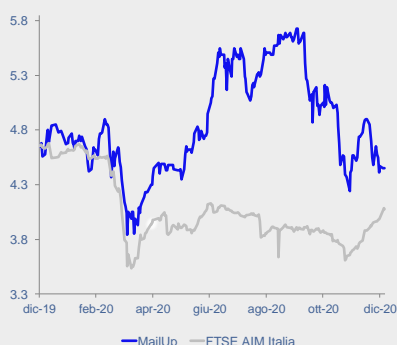
Market Cap.: € 66.3m

1Y High/Low: € 5.74 / € 3.45

Free Float: 36.6%

Major shareholders:

Alberto Miscia	10.9%
Matteo Monfredini	10.7%
Luca Azzali	10.7%
Nazzareno Gorni	10.6%
Matteo Bettoni	10.1%



Stock price performance

	1M	3M	12M
Absolute	-4.7%	-20.2%	-3.9%
Rel.to FTSE AIM	-14.1%	-24.7%	8.5%
Rel.to Peers median	-15.6%	-53.8%	-85.4%

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IMImobile, a global communication software and solutions provider

IMImobile provides mobile applications and other software solutions to assist companies in customer relations management, revenue generation, and productivity enhancement. IMImobile's Customer Interaction Management suite automates, orchestrates and monitors interactions with disparate back-end systems. This saves time and cuts costs for businesses, while seamlessly connecting to customers on the devices they choose. IMImobile delivers innovative, on-brand, business-critical customer interactions for blue-chip global enterprises and leading public-sector organizations including Best Buy, Capitec Bank, Centrica, Hermes, IHG, Mercedes, Orange, O2, Vodafone and Walgreens. IMImobile boasts a global business with over 1,100 employees and it is listed on the AIM UK. According to consensus the firm will close FY-20 (year end at 31-Mar-21) with Sales, EBITDA and Net Profit of € 191m, € 26m (13.7% margin) and € 15m respectively.

Cisco pays GBP 595 pence per share for a total consideration of \$ 730m

Last 7-Dec, US tech giant Cisco agreed to buy IMImobile for GBP 595 pence per share in exchange for each IMImobile share - corresponding to an aggregate purchase price of approximately \$ 730m - assuming fully diluted shares, net of cash and including debt. The price offered represents a premium of approximately: 51.6% to the closing price of 2-Nov (the last trading day before Cisco's first approach to IMImobile), 47.8% to the closing price of 4-Dec (the last trading day before the announcement) and 59.7% to the six-month volume weighted average price as at 4-Dec. Basing on consensus estimates, the implicit EV/Sales₂₁, EV/EBITDA₂₁ and PER₂₁ multiples are 3.08x, 22.3x and 36.0x respectively.

The acquisition aims at embedding omnichannel engagement in Cisco's CXaaS offer

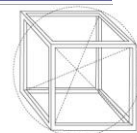
The deal rationale is based on Cisco's vision to create a comprehensive Customer Experience as a Service (CXaaS) offer for customers, offering a platform to provide consistently enjoyable customer experiences. Thanks to IMImobile, Cisco will be able to provide customer-facing businesses with an end-to-end customer interaction management solution as well as an ability to drive faster and smarter customer interactions and orchestration throughout the journey and lifecycle of the customer. The deal closing is expected in Q1-21 and then the IMImobile team will join Cisco's Contact Center BU.

Transaction multiples highlight MailUp's current undemanding valuation

The IMImobile acquisition confirms that the MarTech sector is experiencing a consolidation process. Companies are seeking to enlarge their range of solutions, becoming more and more vertically integrated and shifting towards an as-a-service business model. This corroborates the ability of MailUp's strategy to provide a comprehensive range of solutions (Mail, SMS and Customer Data Platform) with a SaaS approach. Furthermore, the deal shows that MailUp is still trading at unjustified, undemanding multiples: EV/Sales₂₁, EV/EBITDA₂₁ and PER₂₁ multiples are 0.80x, 8.6x and 25.8x respectively. Buy reiterated, 49.3% upside.

MailUp, key financials and ratios

€ m	2018	2019	2020e	2021e	2022e
Total Revenues	40.2	60.8	66.0	75.7	85.0
EBITDA	3.8	4.8	5.0	7.0	8.4
EBIT	1.9	1.8	2.0	4.1	5.4
Net profit	1.3	1.2	1.3	2.6	3.4
NFP (cash)/debt	(6.4)	(2.4)	(3.1)	(6.0)	(9.7)
EBITDA margin	9.4%	7.9%	7.6%	9.3%	9.9%
EBIT margin	4.7%	3.0%	3.1%	5.4%	6.4%
EPS €	0.08	0.08	0.08	0.17	0.23
EPS growth	128.6%	-8.4%	10.5%	102.1%	33.7%
Free Cash Flow Yield	-0.3%	4.4%	2.2%	4.4%	5.6%
PER x	26.4	57.6	52.2	25.8	19.3
PCF x	10.6	16.2	15.7	12.0	10.4
EV/Sales x	0.67	1.05	0.96	0.80	0.67
EV/EBITDA x	7.1	13.3	12.7	8.6	6.7
EV/EBIT x	14.1	34.6	31.0	14.8	10.4



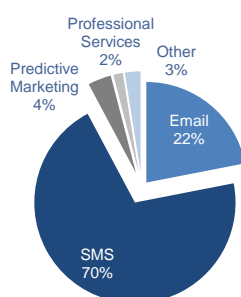
The Company at a Glance

Founded in Cremona (Italy) in 2002 as an email service provider, MailUp is now a leading international scale-up company in the European Cloud Marketing Technologies market, one of the fastest growing industries worldwide. The group is a vertically integrated player focusing on messaging and data-driven/multi-channel marketing automation, providing over 23,000 clients in 115 countries with a wide range of solutions. MailUp develops and sells 1) technologies for the mass sending of emails and mobile messages, 2) sophisticated email and newsletter editing tools, 3) innovative technological solutions for predictive marketing and 4) professional consulting services.

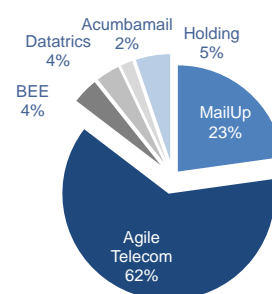
The group operates five synergic business units, corresponding to five different companies: MailUp, Agile Telecom, BEE, Datatrics and Acumbamail. The group achieved a significant growth path since its establishment: born as a start-up in 2002, MailUp closed FY-19 with revenues of € 60.8m, EBITDA of € 4.8m and over 240 employees. Since the IPO in 2014 the group's revenues increased by a CAGR₁₃₋₁₉ of 42.7%, thanks to organic growth boosted by a few acquisitions.

In 2019, revenues were € 60.8m, EBITDA reached € 4.8m, 7.9% margin. EBIT stood at € 1.8m and Net Income totalled € 1.2m. Net Financial Position was € 2.4m cash, thanks to huge cash-flow generation.

2019 breakdown by service...



... and by business unit



Shareholder structure

Shareholders	%	# m
Alberto Miscia	10.9%	1.626
Matteo Monfredini	10.7%	1.606
Luca Azzali	10.7%	1.599
Nazzareno Gorni	10.6%	1.591
Matteo Bettoni	10.1%	1.505
Pronti Gianluca	6.1%	0.913
BMC Holding B.V. *	3.7%	0.558
Treasury shares	0.6%	0.088
Free Float	36.6%	5.486
o/w Employees	0.4%	0.053
Total	100.0%	14.971

Source: Company data

* subject to lock-up (does not enter the free float)

Peer group absolute performance

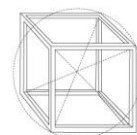
%	1D	1W	1M	3M	6M	YTD
dotDigital Group PLC	(2.6)	7.1	6.4	21.0	44.2	56.3
IMImobile PLC	1.4	49.1	51.9	50.0	96.7	75.7
Sinch AB (publ)	0.0	1.8	24.7	47.1	71.7	294.4
Vonage Holdings Corp	(2.1)	(2.4)	8.3	27.0	26.2	77.3
Mobile Messaging median	0.0	1.8	24.7	47.1	71.7	77.3
HubSpot Inc	(1.4)	(1.7)	10.0	33.6	79.9	139.5
Neosperience SpA	1.1	5.0	10.9	2.2 (12.4)	(28.2)	
SharpSpring Inc	(2.6)	(4.5)	24.9	70.6	78.6	42.2
Predictive Marketing median	(1.4)	(1.7)	10.9	33.6	78.6	42.2
MailUp SpA	0.5	(1.8)	(4.7)	(20.2)	(12.6)	(6.6)

Source: Thomson Reuters Eikon

Peer group multiples table

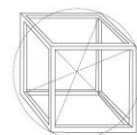
Price & EV multiples x	SALES FY1	SALES FY2	EBITDA FY1	EBITDA FY2	EBIT FY1	EBIT FY2	PER FY1	PER FY2
dotDigital Group PLC (Email Marketing)	7.39	n.a.	22.1	n.a.	32.1	n.a.	40.3	36.9
IMImobile PLC	2.84	2.74	20.7	19.9	28.2	26.0	36.7	34.2
Sinch AB (publ)	8.75	5.12	83.0	49.7	124.9	65.9	176.2	89.7
Vonage Holdings Corp	2.94	2.75	22.4	20.8	36.5	37.0	63.1	64.2
Mobile Messaging median	2.94	2.75	22.4	20.8	36.5	37.0	63.1	64.2
HubSpot Inc	18.84	15.34	160.5	135.4	252.8	201.9	308.4	245.9
Neosperience SpA	2.17	1.35	9.7	6.2	55.6	20.4	142.7	47.6
SharpSpring Inc	n.a.	n.a.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
Predictive Marketing median	10.50	8.35	85.1	70.8	154.2	111.2	225.6	146.7
MailUp SpA	0.96	0.80	12.7	8.6	31.0	14.8	52.2	25.8

Source: CFO SIM, Thomson Reuters Eikon





Income statement (€ m)	2018	2019	2020e	2021e	2022e
Total revenues	40.2	60.8	66.0	75.7	85.0
Purchases	(22.7)	(38.3)	(39.6)	(45.0)	(50.6)
Services	(5.7)	(7.2)	(8.5)	(9.3)	(10.2)
Personnel expenses	(7.2)	(10.0)	(12.2)	(13.6)	(14.9)
Other opex	(0.9)	(0.6)	(0.7)	(0.8)	(0.9)
EBITDA	3.8	4.8	5.0	7.0	8.4
D&A	(1.9)	(2.9)	(3.0)	(3.0)	(3.0)
EBIT	1.9	1.8	2.0	4.1	5.4
Financials	0.0	(0.0)	(0.0)	(0.0)	0.0
Re/(Devaluation) of financial assets	0.0	0.0	0.0	0.0	0.0
Extraordinary	0.0	0.0	0.0	0.0	0.0
Pre-Tax profit	1.9	1.8	2.0	4.1	5.4
Income taxes	(0.7)	(0.7)	(0.7)	(1.5)	(2.0)
Minorities	0.0	0.0	0.0	0.0	0.0
Net Profit	1.3	1.2	1.3	2.6	3.4
Net Profit adj.	1.3	1.2	1.3	2.6	3.4
Balance sheet (€ m)	2018	2019	2020e	2021e	2022e
Net Working Capital	0.3	(1.7)	(1.0)	(0.9)	(0.9)
Net Fixed Assets	21.8	27.4	27.5	27.5	27.6
Equity Investments	0.1	0.1	0.1	0.1	0.1
Other M/L Term A/L	(12.7)	(11.3)	(11.4)	(11.9)	(12.3)
Net Invested Capital	9.6	14.6	15.2	14.8	14.5
Net Financial Position	(6.4)	(2.4)	(3.1)	(6.0)	(9.7)
Minorities	0.0	0.0	0.0	0.0	0.0
Group's Shareholders Equity	15.9	17.0	18.2	20.8	24.2
Financial Liabilities & Equity	9.6	14.6	15.2	14.8	14.5
Cash Flow statement (€ m)	2018	2019	2020e	2021e	2022e
Total net income	1.3	1.2	1.3	2.6	3.4
Depreciation	1.9	2.9	3.0	3.0	3.0
Other non-cash charges	1.3	(0.1)	0.9	0.5	0.3
Cash Flow from Oper. (CFO)	4.4	4.0	5.1	6.0	6.7
Change in NWC	(1.3)	2.0	(0.6)	(0.1)	0.0
FCF from Operations (FCFO)	3.1	6.0	4.5	5.9	6.7
Net Investments (CFI)	(5.2)	(9.9)	(3.7)	(3.0)	(3.0)
Free CF to the Firm (FCFF)	(2.1)	(3.9)	0.7	2.9	3.7
CF from financials (CFF)	(0.9)	5.2	(0.0)	0.0	0.0
Free Cash Flow to Equity (FCFE)	(3.0)	1.2	0.7	2.9	3.7
Financial ratios	2018	2019	2020e	2021e	2022e
EBITDA margin	9.4%	7.9%	7.6%	9.3%	9.9%
EBIT margin	4.7%	3.0%	3.1%	5.4%	6.4%
Net profit margin	3.1%	1.9%	1.9%	3.4%	4.0%
Tax rate	34.6%	36.9%	37.0%	37.0%	37.0%
Op NWC/Sales	0.7%	-2.8%	-1.6%	-1.2%	-1.1%
Interest coverage x	(0.01)	0.01	0.01	0.00	(0.00)
Net Debt/EBITDA x	(1.69)	(0.49)	(0.62)	(0.85)	(1.16)
Debt-to-Equity x	(0.40)	(0.14)	(0.17)	(0.29)	(0.40)
ROIC	13.1%	7.9%	8.4%	17.3%	23.6%
ROCE	9.7%	7.0%	7.3%	13.2%	15.6%
ROACE	9.9%	8.1%	7.5%	13.8%	16.5%
ROE	7.9%	6.8%	7.0%	12.3%	14.2%
Payout ratio	0.0%	0.0%	0.0%	0.0%	0.0%
Per share figures	2018	2019	2020e	2021e	2022e
Number of shares # m	14.93	14.97	14.97	14.97	14.97
Number of shares Fully Diluted # m	14.93	16.24	16.24	16.24	16.24
Average Number of shares Fully Diluted # m	14.55	15.58	16.24	16.24	16.24
EPS stated FD €	0.09	0.07	0.08	0.16	0.21
EPS adjusted FD €	0.09	0.07	0.08	0.16	0.21
EBITDA €	0.26	0.31	0.31	0.43	0.52
EBIT €	0.13	0.12	0.13	0.25	0.33
BV €	1.07	1.05	1.12	1.28	1.49
FCFO €	0.21	0.38	0.28	0.36	0.42
FCFF €	(0.14)	(0.25)	0.05	0.18	0.23
FCFE €	(0.21)	0.08	0.05	0.18	0.23
Dividend €	0.00	0.00	0.00	0.00	0.00



ANALYST CERTIFICATION

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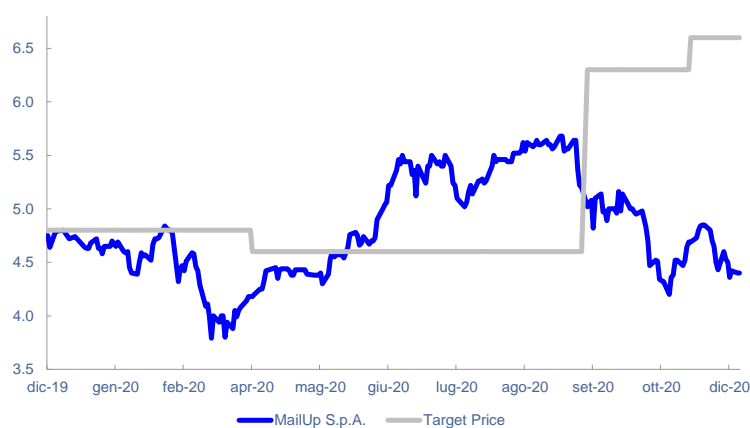
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DATE	TARGET PRICE	RATING
10/12/2020	€6.60	BUY
13/11/2020	€6.60	BUY
21/09/2020	€6.30	NEUTRAL
14/05/2020	€4.60	NEUTRAL
02/04/2020	€4.60	NEUTRAL
18/12/2019	€4.80	NEUTRAL

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- a **SELL** rating is assigned if the target price is at least 15% lower than the market price;
- a **NEUTRAL** rating is assigned if the difference between the current price and target price lies within the +/- 15% bands identified using the preceding criteria.

The rating is determined on the basis of the **expected absolute return 12 months forward** and not on the basis of the estimated out/underperformance relative to a market index. Thus, the rating can be directly linked with the estimated percentage difference between current price and target price. The prices of the financial securities mentioned in the report (also used for the calculation of market capitalisation and market multiples) are the reference prices of the stock market trading day preceding the publication date of the report, otherwise stated.

