

MailUp Group

Sector: Marketing Technology

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Sector M&A adds speculative appeal

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

Fair Value (€)	3.74
Market Price (€)	2.41
Market Cap. (€m)	34.4

Twilio and SendGrid to merge by 1H19

Twilio and SendGrid, US based leading players in the MarTech space, have just announced a paper based merger deal. Under the terms of the transaction, each outstanding share of SendGrid will be converted into 0.485 shares of Twilio Class A common stock. The deal should be finalized by 1H19 and is subject to shareholder vote by Twilio and SendGrid, regulatory approval and satisfaction of customary closing conditions.

Sound industrial rationale

Twilio is a cloud communication platform (PaaS) enabling developers to build and operate real-time communication (phone calls, text messages and other communication functions) using its web service APIs.

SendGrid is a cloud-based customer communication platform dedicated to developers and marketers specialised in email crafting and delivery.

Industrial wise the deal is a smart move. Indeed, Twilio adds a further "channel" i.e. emails delivery to its communications platform thus expanding a lot its total addressable market.

"Stellar" implied valuation

At current stock market prices, the combined entity should have a pro-forma market cap close to US\$10bn. We note that based on announced merger terms, SendGrid has been valued 10.0x and 7.9x EV/Sales 2018E-19E respectively. Worthy of notice, also Twilio is so highly valued: 11.9x and 9.2x EV/Sales 2018E-19E respectively.

We remind that at current market price, MailUp is valued ca. 0.6x EV/Sales 2019 i.e. ten times less.

Positive read-across for MailUp

Our take from the deal is that sector consolidation remains a "hot topic" in MarTech space driven by the necessity of larger players to offer as many services as possible and to conquer more and more market shares. As such, smaller players such as MailUp offering solid geographical footprint and innovative services / products range should be all viewed as possible targets and deserve a speculative premium. We underline that MailUp even at our €3.74 p.s. fair value would trade at 1.1x EV / Sales 2019E.

KEY FINANCIALS (€m)	2017A	2018E	2019E
REVENUES	26.4	35.0	43.6
EBITDA	2.9	3.6	4.8
EBIT	1.3	1.7	2.8
NET PROFIT	0.6	1.1	1.7
EQUITY	13.9	14.9	16.6
NET FINANCIAL POS.	7.3	7.1	7.4
EPS ADJ. (€)	0.05	0.07	0.12
DPS (€)	0.00	0.00	0.00

Source: MailUp Group (historical figures),
Value Track (2018E-19E estimates)

RATIOS & MULTIPLES	2017A	2018E	2019E
EBITDA MARGIN (%)	10.9	10.3	11.0
EBIT MARGIN (%)	4.8	4.9	6.4
NET DEBT / EBITDA (x)	nm	nm	nm
NET DEBT / EQUITY (%)	nm	nm	nm
EV/SALES (x)	1.0	0.8	0.6
EV/EBITDA (x)	8.7	7.6	5.6
EV/EBIT (x)	19.7	16.1	9.6
P/E ADJ. (x)	47.7	30.0	20.2

Source: MailUp Group (historical figures),
Value Track (2018E-19E estimates)

STOCK DATA

FAIR VALUE (€)(*)	3.74
MARKET PRICE (€)	2.41
SHS. OUT. (m)	14.2
MARKET CAP. (€m)	34.4
FREE FLOAT (%)	32.4
AVG. -20D VOL. (#)	2,800
RIC / BBG	MAIL.MI / MAIL IM
52 WK RANGE	2.04-2.77

Source: Stock Market Data



Business Description

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

More in detail MailUp Group is involved in provisioning of email marketing services, delivery of mobile text messages (for both transactional and marketing purposes), email editing support, Customer Data Platform services and professional ones to business clients.

Key Financials

€mn	2017A	2018E	2019E	2020E
Net Revenues	26.4	35.0	43.6	52.4
Chg. % YoY	25.4%	32.4%	24.5%	20.2%
EBITDA	2.9	3.6	4.8	6.5
EBITDA Margin (% of Net Revenues)	10.9%	10.3%	11.0%	12.5%
EBIT	1.3	1.7	2.8	4.3
EBIT Margin (% of Net Revenues)	4.8%	4.9%	6.4%	8.3%
Net Profit	0.6	0.9	1.7	2.6
Chg. % YoY	nm	54.1%	81.0%	53.0%
Adjusted Net Profit	0.6	1.1	1.7	2.6
Chg. % YoY	nm	86.7%	49.3%	53.0%
Net Fin. Position	7.3	7.1	7.4	10.4
Net Fin. Pos. / EBITDA (x)	nm	nm	nm	nm
Capex	-2.0	-2.2	-2.4	-2.4
OpFCF b.t.	2.6	2.7	3.6	4.7
OpFCF b.t. as % of EBITDA	88.7%	75.1%	74.4%	72.0%

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

Investment case

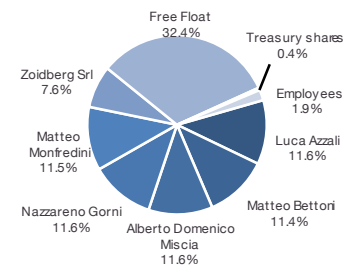
Strengths / Opportunities

- ◆ Full range of marketing technology services;
- ◆ 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

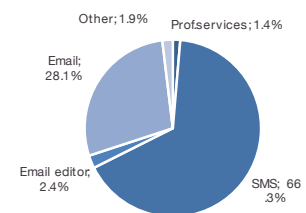
- ◆ Much lower size if compared to Anglo-Saxons competitors;
- ◆ MarTech moves fast and MailUp group capability to keep up the pace could be limited due to money or other constraints.

Shareholders Structure



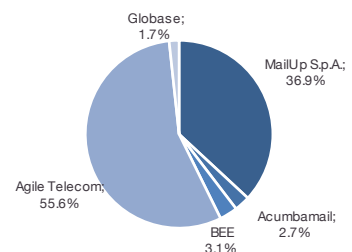
Source: MailUp SpA

Sales breakdown by business line



Source: MailUp SpA

Sales breakdown by legal entity



Source: MailUp SpA

Stock multiples @ €3.74 Fair Value

	2018E	2019E
EV / SALES (x)	1.3	1.1
EV / EBITDA (x)	12.9	9.6
EV / EBIT (x)	27.2	16.4
EV / CAP.EMP. (x)	5.9	5.0
OpFCF Yield (%)	5.8	7.8
P / E (x)	56.4	31.3
P / BV (x)	3.6	3.2
Div. Yield. (%)	0.0	0.0

Source: Value Track

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