

Company Update
Buy (maintained)

26 March 2019 – 5:30PM

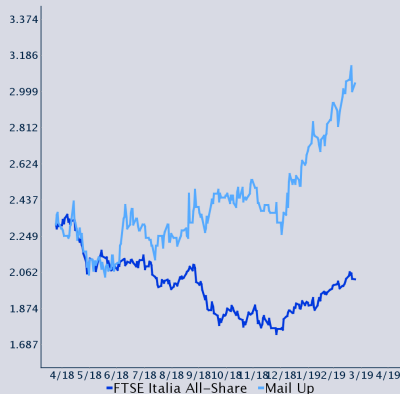
 MARKET PRICE: **EUR3.04**

 TARGET PRICE: **EUR3.85 (from EUR3.72)**
IT services
Data

Shares Outstanding (m):	14.9
Market Cap. (EURm):	45.4
Enterprise Value (EURm):	41.3
Free Float (%):	31.7%
Av. Daily Trad. Vol. (m):	0.01
Main Shareholder:	Founders 54.4%
Reuters/Bloomberg:	MAIL.MI MAIL IM
52-Week Range (EUR)	2.8 4.3

Source: Factset, UbiBanca estimates
Performance

	1m	3m	12m
Absolute	6.7%	28.3%	31.0%
Rel. to FTSE IT	3.9%	14.1%	37.0%

Source: Factset
Graph area Absolute/Relative 12 M

Source: Factset

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

Website: www.ubibanca.com/equity-research

Net profit doubled in 2018

Following F18 results, we have fine-tuned our estimates and increased our target price by 3.5% to EUR3.85 (27% potential upside). As expected, revenues closed at EUR39 million (+47.6% YoY, in line with preliminary gross sales announced on 10 January). 2018 EBITDA (EUR3.8 million, +31% YoY) beat our forecast by 4.7% thanks to the outstanding performance recorded by Agile Telecom (+79% YoY to EUR2.5 million EBITDA, 9.5% EBITDA margin). Therefore, net attributable result was positive for EUR1.25 million (vs EUR1 million of our forecast). We have lifted our 2019 and 2020 revenues forecasts by 2.2% and left broadly unchanged our EBITDA 2019-2020 forecasts (1.3% average upwards revision). 2019-2020 EPS forecast have risen by 3.9% on average. The stock is trading on an EV/EBITDA 2019E-2020E of 7.7-5.9x compared to 16-14x of its European comparable company dotDigital (>EUR280 million market cap): in our view, such huge liquidity discount is unjustified considering the visible opportunities of growth generated in the core activity by the integration of Datatrics and potential new creative acquisitions made possible by its healthy balance sheet (EUR6.4 million net cash as at end-2018). We confirm our Buy rating.

- > In 2018 Value of production (VoP) jumped by 47.2% to EUR40.2 million driven both by Agile Telecom (+78% YoY to EUR26.3 million) and MailUp (+16.3% to EUR13.1 million). BEE top line doubled to EUR1.2 million. Consolidated EBITDA grew by 30.9% to EUR3.8 million, with Agile Telecom and MailUp contributing equally. BEE reached positive EBITDA (EUR0.4 million).
- > We forecast 2018-2021E revenues CAGR at 18.5% and 20.8% EBITDA CAGR 2018-2021E, with EBITDA margin rising from 9.7% in 2018 to 13.5% in 2021.
- > During the conference call, the management confirmed the interesting in external growth by targeting profitable companies with revenues generated mainly in Europe and the US.
- > Our EUR3.85 per share target price is based on a DCF valuation (WACC 9.9%, g 2%) and implies an EV/EBITDA 19E of 9.6x, 43% below dotDigital. Main risk are: (1) low liquidity; (2) increasing competition in MarTech; (3) M&A disappointment.

Financials

	2018	2019E	2020E	2021E
Revenues (EURm)	39.0	49.2	57.8	65.0
EBITDA (EURm)	3.8	5.3	6.9	8.8
EBITDA margin (%)	9.7%	10.8%	12.0%	13.5%
EBIT (EURm)	1.9	3.3	4.6	6.2
EPS (EUR)	0.08	0.14	0.19	0.27
CFPS (EUR)	0.17	0.18	0.29	0.42
DPS (EUR)	0.00	0.00	0.00	0.00

Source: Company Data, UBI Banca Estimates
Ratios
priced on 25 March 2019

	2018 *	2019E	2020E	2021E
P/E(x)	27.8	22.5	15.7	11.3
P/CF(x)	14.2	16.9	10.6	7.2
P/BV(x)	2.2	2.5	2.2	1.8
Dividend Yield	0.0%	0.0%	0.0%	0.0%
EV/EBITDA(x)	8.0	7.7	5.9	4.4
Debt/Equity (x)	-0.4	-0.3	-0.3	-0.4
Debt/EBITDA (x)	-1.7	-1.1	-1.0	-1.1

Source: UBI Banca Estimates * Based on 2018 average price

Key Financials

(EURm)	2018	2019E	2020E	2021E
Revenues	39.0	49.2	57.8	65.0
EBITDA	3.8	5.3	6.9	8.8
EBIT	1.9	3.3	4.6	6.2
NOPAT	1.3	2.2	3.1	4.2
Free Cash Flow	-0.06	-0.03	0.05	0.16
Net Capital Employed	9.6	12.0	14.2	15.9
Shareholders' Equity	15.9	18.0	20.8	24.9
Net Financial Position	-6.4	-5.9	-6.6	-9.0

Source: Company data, UBI Banca estimates

Key Profitability Drivers

	2018	2019E	2020E	2021E
Net Debt/Ebitda (x)	-1.7	-1.1	-1.0	-1.1
Net Debt/Equity (x)	-0.4	-0.3	-0.3	-0.4
Interest Coverage (%)	0.0	0.0	0.0	0.0
Free Cash Flow Yield (%)	nm	nm	1.6%	5.3%
ROE (%)	8.4%	11.9%	14.9%	17.5%
ROI after-tax (%)	13.2%	17.5%	20.2%	23.8%
ROCE (%)	15.6%	20.6%	23.5%	27.8%

Source: Company data, UBI Banca estimates

Key Valuation Ratios

	2018 *	2019E	2020E	2021E
P/E (x)	27.8	22.5	15.7	11.3
P/BV (x)	2.2	2.5	2.2	1.8
P/CF (x)	14.2	16.9	10.6	7.2
Dividend Yield (%)	0.0%	0.0%	0.0%	0.0%
EV/Sales (x)	0.8	0.8	0.7	0.6
EV/EBITDA (x)	8.0	7.7	5.9	4.4
EV/EBIT (x)	15.9	12.5	8.9	6.2
EV/CE (x)	3.2	3.4	2.8	2.5

Source: Company data, UBI Banca estimates

* Based on 2018 average price

Key Value Drivers

(%)	2018	2019E	2020E	2021E
Payout	0.0%	0.0%	0.0%	0.0%
NWC/Sales	0.7%	1.5%	1.8%	2.2%
Capex/Sales	8.5%	6.4%	6.2%	6.0%

Source: Company data, UBI Banca estimates

Recent Developments

- > MailUp closed FY18 with consolidated revenues at EUR39 million (>47% YoY rise, in line with preliminary gross sales announced on 10 January 2019). Significant growth was recorded by both SMS and BEE (respectively +71% to EUR27.2 million and +139% YoY to EUR1.2 million). Professional services slightly declined (-7% YoY to EUR0.55 million) due to Globase platform, which concluded the turnaround migrating all customers to MailUp's platform. Email business recorded a 7% jump to EUR10.1 million; both MailUp and Acumbamail contributed to growth of this business line. Total Value of Production (VoP) reached EUR40.2 million, up EUR12.9 million or 47.2% YoY. In 2018, international revenues grew by 43% YoY to EUR16.1 million; main exposure is in Europe, while USA represents 8% of total revenues. Datatrics (not consolidated yet) closed 2018 with >EUR1 million revenues generated by ca. 100 clients. In the last 2 years, VoP of MailUp Group recorded an outstanding 36% CAGR, equal to EUR18.6 million organic increase.
- > Consolidated EBITDA beat our forecast by 4.7%, closing at EUR3.8 million (+30.9% YoY). Net of the EUR0.25k M&A costs, Adjusted EBITDA was EUR4 million, equal to 10.2% EBITDA margin; the 60bs erosion was due to the launch of professional services within MailUp business unit, which closed with EBITDA dropping 13% to EUR2.4 million. On the other hand, the increase in Agile Telecom EBITDA was higher than expected reaching EUR2.5 million (+78.6% YoY). BEE contribution to margin was for the first time positive (EUR0.4 million). EBIT grew 48% YoY to EUR1.9 million despite EUR0.3 million greater D&A caused by investments in platform. Net profit doubled to EUR1.26 million.
- > 2018 net cash position was equal to EUR6.4 million following EUR2.15 million cash out for M&A (EUR0.75 million for Datatrics, EUR0.8 million earn-out for Agile Telecom and EUR0.6 million to acquire minorities of Acumbamail) and EUR0.05 million buy-back. Operating FCF was EUR2.5 million (65% of EBITDA). Total shareholder's equity amounted to EUR15.9 million. Fixed assets jumped by EUR7 million to EUR22 million of which EUR13.7 million goodwill (EUR8.3 million from Agile Telecom and EUR3.8 million from Datatrics). As expected, MailUp will not distribute any dividends on 2018 results.
- > During the conference call the management confirmed its expectation to exploit Datatrics' marketing platform based on AI to further improve MailUp ARPU (EUR1,500 in 2018, +25% YoY) and scale up internalisation process. As regarding potential M&A, they are targeting profitable companies with revenues generated mainly in Europe and USA.

Figure 1. FY18 VoP and EBITDA breakdown by business units

Globase completed the restructuring process centred on the progressive migration of customer base to the new V3 platform derived from MailUp. Acumbamail was impacted by one-off change in accounting which hurt revenues and EBITDA by EUR0.1 million.

(EURm, %)	VoP	% Chg.	EBITDA	% Chg.
MailUp	13.1	16.3%	2.4	-13.1%
Agile Telecom	26.3	78.0%	2.5	78.6%
Acumbamail	0.9	26.4%	0.2	-24.6%
BEE	1.2	107.4%	0.4	>100%
Globase	0.7	-35.0%	-0.1	-78.1%
Holding	1.4	-7.6%	-1.6	51.2%
Elisions	-3.4	30.8%	0.0	
Total	40.2	47.3%	3.8	30.9%

Source: Company data

Figure 2. 2018 results

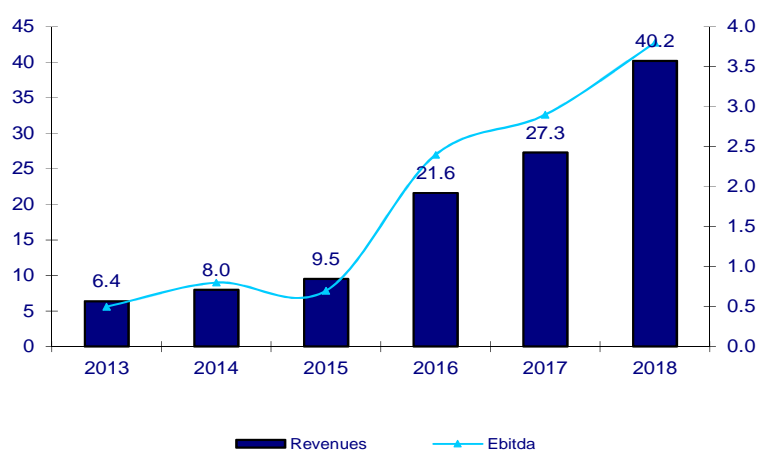
EBITDA margin decreased by 120bps due to M&A expenses (EUR0.25k, 0.6% bps) and to the recruitment of 15 employees for the launch of professional services within MailUp business unit.

(EURm)	FY17A	FY18A	% Chg.	FY18E UBI	% Gap.
Revenues	26.4	39.0	47.6%	38.5	1.4%
Email	9.4	10.1	7.3%	11.1	-9.1%
SMS	15.9	27.2	70.6%	25.5	6.6%
Professional services	0.6	0.6	-7.0%	0.5	12.8%
BEE revenues	0.5	1.2	138.8%	1.4	-17.4%
VoP	27.3	40.2	47.2%	39.5	1.8%
EBITDA	2.9	3.8	30.9%	3.6	4.7%
EBITDA margin	10.9%	9.7%	-1.2%	9.5%	0.2%
EBIT	1.3	1.9	48.2%	1.8	3.1%
EBIT margin	4.8%	4.9%	+0.1%	4.8%	0.1%
Net Profit/loss	0.61	1.26	105.1%	1.00	25.5%
Net Profit margin	2.3%	3.2%	+3.2%	2.6%	0.6%
Net debt/(Cash)	-7.3	-6.4		-6.9	

Source: Company data, UBI Banca estimates

Figure 3. 2013-2018 evolution of VoP and EBITDA

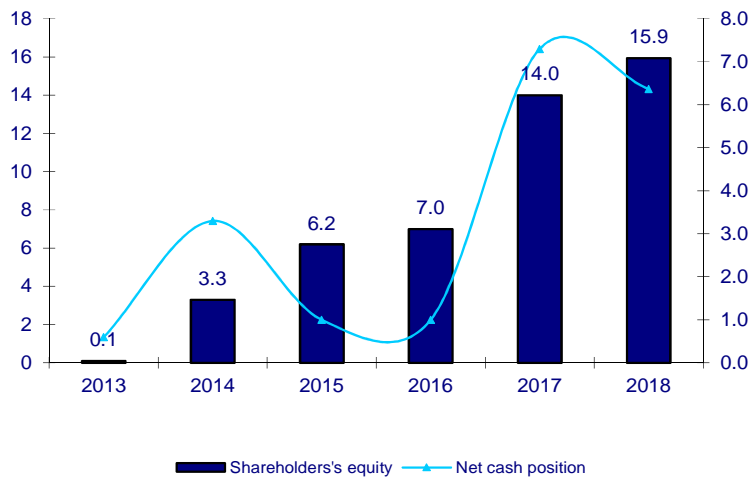
In 2018 sales and EBITDA organically grew by 47% and 31% respectively.



Source: Company data

Figure 4. 2013-2018 evolution of shareholders's equity and net cash position.

Acquisitions were financed by capital injections completed in 2014 and 2017. There is still EUR6.4 million net cash available for M&A.



Source: Company data

Financial Projections

- > Following release of FY18 results, we have slightly increased our 2019-2020 estimates on average by 2.2% on consolidated revenues and by 1.3% on EBITDA. We expect revenues 2021 to be around EUR65 million with a 2018-2021 revenues CAGR of 18.5%. EBITDA 2021 is expected at EUR8.8 million with 380bps margin expansion to 13.5% EBITDA margin.
- > In 2019 we incorporate EUR0.75 million cash out for Datatrics acquisition and EUR0.8 million earn-out for Agile Telecom. We maintain assumption of zero dividend distribution.

Figure 5. Old vs. New estimates

(EURm)	2018A	2019E		2020E		2021E
		Old	New	Old	New	New
Total Sales	39.0	48.1	49.2	56.5	57.8	65.0
% change			2.2%		2.2%	
EBITDA	3.77	5.27	5.33	6.82	6.92	8.8
% change			1.1%		1.4%	
EBIT	1.90	3.23	3.32	4.54	4.62	6.2
% change			2.7%		1.7%	
Net Profit	1.25	1.93	2.02	2.81	2.90	4.0
% change			4.6%		3.1%	
EBITDA margin	9.7%	11.0%	10.8%	12.1%	12.0%	13.5%
EBIT margin	4.9%	6.7%	6.7%	8.0%	8.0%	9.6%

Source: Company data, UBI Banca estimates

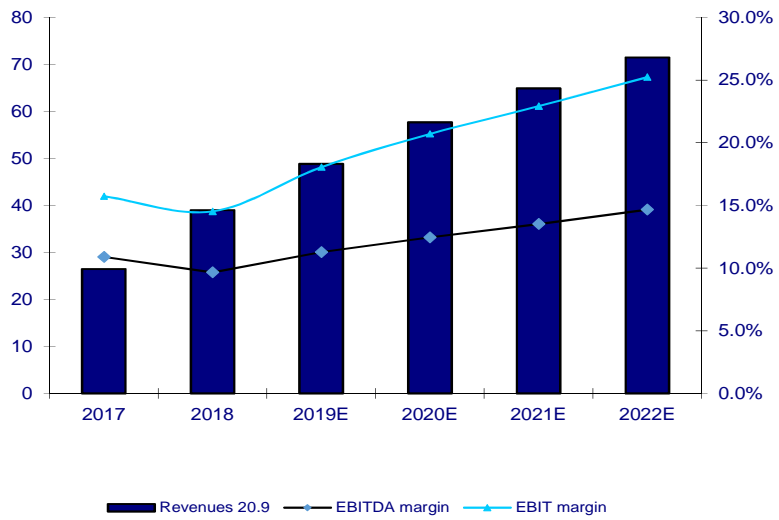
Figure 6. Revenues breakdown by segments in 2017-2022E.

We estimate combined revenues by Datatrics and other services (including BEE) to increase from 10.6% in 2019 to ca. 16% in 2022.

(EURm)	2017	2018	2019E	2020E	2021E	2022E
Total Revenues (Consolidated)	26.4	39.0	49.2	57.8	65.0	71.6
email	9.4	10.1	11.3	12.5	14.0	15.5
SMS	15.9	27.2	32.6	37.5	41.3	44.6
Professional services	0.6	0.5	0.6	0.7	0.8	0.9
BEE revenues	0.5	1.2	2.2	2.7	3.2	3.6
Datatrics contribution		0.0	2.4	4.3	5.8	7.0
Revenue Growth %	26.7%	47.6%	26.0%	17.5%	12.5%	10.1%
Mail	11.3%	7.3%	11.9%	10.6%	11.5%	11.2%
SMS	39.2%	70.6%	20.0%	15.0%	10.0%	8.0%
Professional services	-25.7%	-6.9%	9.5%	16.7%	14.3%	12.5%
BEE revenues	212.7%	138.8%	90.5%	22.7%	18.5%	12.5%
Datatrics				80.0%	33.3%	20.8%
Weight in %						
Mail	35.7%	25.9%	23.0%	21.7%	21.5%	21.7%
SMS	60.3%	69.7%	66.4%	64.9%	63.5%	62.3%
Professional services	2.2%	1.4%	1.2%	1.2%	1.2%	1.3%
BEE revenues	1.8%	3.0%	4.5%	4.7%	4.9%	5.0%
Datatrics		0.0%	4.9%	7.5%	8.9%	9.7%

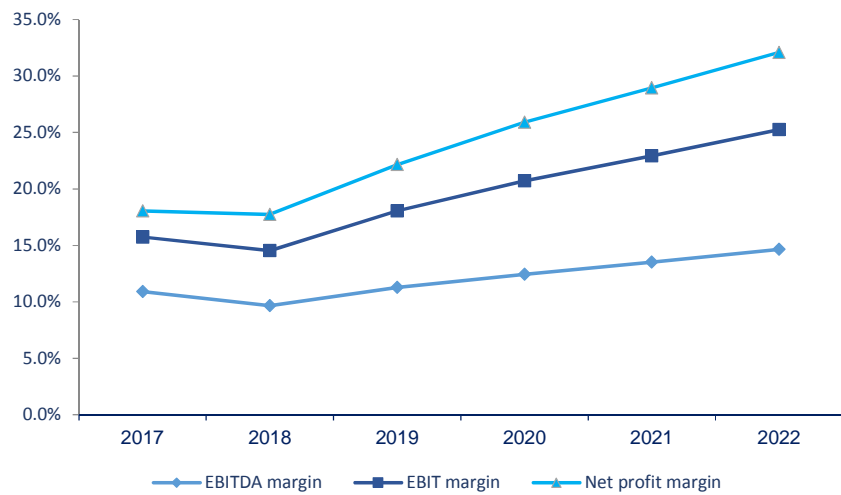
Source: Company data, UBI Banca estimates

Figure 7. Revenues, EBITDA and EBIT margin trend in 2017-2022E (EURm, %)



Source: Company data, UBI Banca estimates

Figure 8. EBITDA and EBIT and net profit margin trend in 2017-2022E (%)



Source: Company data, UBI Banca estimates

Valuation

> Given the revisions to our forecasts, our target price based on DCF (WACC 9.9%, g 2%) has been risen to EUR3.85 per share (+3.5% from EUR3.72), leaving a 27% upside. Our TP implies an EV/EBITA 19E of 9.6x, which is 43% below dotDigital.

Figure 9. WACC and embedded DCF assumptions

WACC assumptions		Embedded DCF assumptions	
Risk-free rate	3.5%	Revenue CAGR 2019-2022 (%)	16.4%
Debt spread (%)		Target EBIT margin 2022 (%)	10.7%
Cost of debt [net] (%)		D&A. on sales (avg. 2019-2022) (%)	4.0%
Market risk premium (%)	4.5%	Capex on sales (avg. 2019-2022) (%)	6.1%
Beta (x)	1.40	Revenue CAGR 2023-2026 (%)	4.3%
Cost of equity (%)	9.9%	Target EBIT margin 2026 (%)	11.9%
Weight of Debt	0%	D&A. on sales (avg. 2023-2026) (%)	4.4%
Weight of Equity	100%	Capex on sales (avg. 2023-2026) (%)	6.0%
WACC	9.9%		

Source: UBI Banca estimates

Figure 10. DCF Valuation

Our DCF valuation implies an EV/EBITDA 2019E of 9.4x

	Valuation (EURm)	% Weight	Per share (EUR)
Sum of PV 2019-22 FCF	4.7	9%	0.31
Sum of PV 2023-26 FCF	11.3	22%	0.76
Terminal Value	34.9	69%	2.34
Total Enterprise value	50.9	100%	3.47
- minorities	0.0		
- financial assets	0.2		0.01
- Net cash (debt)	6.4		0.43
Total Equity value	57.5		3.85
Number of shares outstanding (m)	14.93		
Fair value per share (EUR)	3.85		

Source: UBI Banca estimates

Figure 11. Implicit multiples based on our EUR3.85 target price

(x)	2019E	2020E	2021E
P/E	28.5	19.8	14.3
EV/EBITDA	9.6	7.4	5.8
EV/EBIT	15.4	11.0	8.2
EV/Sales	1.0	0.9	0.8
P/BV	3.2	2.8	2.3
EV/ Capital employed	4.2	3.6	3.2

Source: UBI Banca estimates

Figure 12. Peer comparison and valuation based on multiples priced on 25 March 2019

MailUp is trading at a 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	EV/Sales		EV/EBITDA		EV/EBIT	
		2019E	2020E	2019E	2020E	2019E	2020E
Alkemy SpA	63	0.6x	0.5x	4.9x	3.9x	7.1x	5.5x
DigiTouch SpA	20	0.4x	0.3x	2.4x	1.7x	4.2x	2.7x
Triboo SpA	54	0.7x	0.6x	4.5x	3.5x	10.4x	6.0x
Italian AIM peers Average		0.5x	0.4x	3.9x	3.0x	7.2x	4.7x
dotDigital Group plc	283	4.8x	4.0x	16.4x	13.9x	21.0x	17.8x
IMImobile PLC	187	1.3x	1.2x	9.9x	9.0x	13.0x	11.9x
Foreign peers Average		3.1x	2.6x	13.2x	11.4x	17.0x	14.8x
Average		1.8x	1.5x	8.5x	7.2x	12.1x	9.8x
MailUp	63	0.8x	0.7x	7.7x	5.9x	12.5x	8.9x
Premium/Discount to average		-53%	-54%	-9%	-18%	3%	-9%
MailUp at target		1.0x	0.9x	9.6x	7.4x	15.4x	11.0x
Premium/Discount to average		-43%	-42%	12%	2%	27%	13%
Premium/Discount to Dotdigital		-79%	-78%	-42%	-47%	-27%	-38%

Source: Company data, UBI Banca estimates

Income Statement

(EURm)	2018	2019E	2020E	2021E
Value of production	39.0	49.2	57.8	65.0
EBITDA	3.8	5.3	6.9	8.8
EBITDA margin	9.7%	10.8%	12.4%	13.5%
EBIT	1.9	3.3	4.8	6.1
EBIT margin	4.9%	6.8%	8.3%	9.4%
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	3.3	4.7	6.1
Taxes	-0.7	-1.3	-1.7	-2.1
Minorities & discontinuing ops	0.0	0.0	0.0	0.0
Net Income	1.3	2.0	3.0	3.9

Source: Company data, UBI Banca estimates

Balance Sheet

(EURm)	2018	2019E	2020E	2021E
Net working capital	-10.7	-9.1	-7.9	-7.4
Net Fixed assets	22.1	23.0	24.2	25.4
M/L term funds	-1.8	-2.0	-2.3	-2.6
Capital employed	9.6	11.9	14.0	15.4
Shareholders' equity	15.9	17.9	20.9	24.9
Minorities	0.0	0.0	0.0	0.0
Shareholders' funds	15.9	17.9	20.9	24.9
Net financial debt/(cash)	-6.4	-6.0	-7.0	-9.4

Source: Company data, UBI Banca estimates

Cash Flow Statement

(EURm)	2018	2019E	2020E	2021E
NFP Beginning of Period	-7.3	-6.4	-6.0	-7.0
Group Net Profit	1.3	2.0	3.0	3.9
Minorities	0.0	0.0	0.0	0.0
D&A	1.9	2.2	2.4	2.7
Change in Funds & TFR	0.6	-0.9	-0.6	0.1
Gross Cash Flow	3.8	3.3	4.8	6.7
Change In Working Capital	-1.3	-0.5	-0.3	-0.3
Other	-0.0	-0.0	-0.0	-0.0
Operating Cash Flow	2.5	2.8	4.5	6.4
Net Capex	-3.3	-3.1	-3.6	-3.9
Other Investments	-0.0	0.0	0.0	0.0
Free Cash Flow	-0.9	-0.3	0.9	2.5
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.	-0.0	0.0	0.0	0.0
Change in NFP	-0.9	-0.3	0.9	2.5
NFP End of Period	-6.4	-6.0	-7.0	-9.4

Source: Company data, UBI Banca estimates

Financial Ratios

(%)	2018	2019E	2020E	2021E
ROE	8.4%	11.9%	15.4%	17.1%
ROI after-tax (%)	13.2%	17.5%	20.2%	23.8%
Net Fin. Debt/Equity (x)	-0.4	-0.3	-0.3	-0.4
Net Fin. Debt/EBITDA (x)	-1.7	-1.1	-1.0	-1.1
Interest Coverage	0.0	0.0	0.0	0.0
NWC/Sales	0.7%	1.5%	1.8%	2.2%
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	0.19	0.27
DPS	0.00	0.00	0.00	0.00
Op. CFPS	0.17	0.18	0.29	0.42
Free CFPS	-0.06	-0.03	0.05	0.16
BVPS	1.07	1.20	1.40	1.66

Source: Company data, UBI Banca estimates

Stock Market Ratios

(x)	2018 *	2019E	2020E	2021E
P/E	27.8	22.5	15.7	11.3
P/OpCFPS	14.2	16.9	10.6	7.2
P/BV	2.2	2.5	2.2	1.8
Dividend Yield (%)	0.0%	0.0%	0.0%	0.0%
Free Cash Flow Yield (%)	-2.5%	-1.0%	1.5%	5.3%
EV (EURm)	30.2	41.3	41.0	38.9
EV/Sales	0.8	0.8	0.7	0.6
EV/EBITDA	8.0	7.8	5.9	4.4
EV/EBIT	15.9	12.8	8.9	6.2
EV/Capital Employed	3.2	3.4	2.9	2.5

Source: Company data, UBI Banca estimates

* Based on 2018 average price

Growth Rates

(%)	2018	2019E	2020E	2021E
Growth Group Net Sales	47.6%	25.2%	18.0%	12.5%
Growth EBITDA	30.9%	46.3%	30.2%	22.2%
Growth EBIT	48.2%	74.2%	44.1%	28.1%
Growth Net Profit	105.1%	60.2%	49.3%	30.4%

Source: Company data, UBI Banca estimates

Disclaimer

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Hold: if the target price is 10% below or 10% above the market price, over the next 12 months.

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Buy	Hold	Sell	No Rating
100%	100%	-	100%

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Historical ratings and target prices

Date	Rating	Target Price (EUR)	Market Price (EUR)
17 October 2018	BUY	3.63	2.44
15 January 2019	BUY	3.72	2.52