

MailUp (MAIL-IT)

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| | |
|-----------------------|------------|
| Last (€) | 3.1 |
| Valuation Range (€) | 3.5-3.7 |
| Recommendation | Buy |

FY18 strong results, M&A in the pipeline

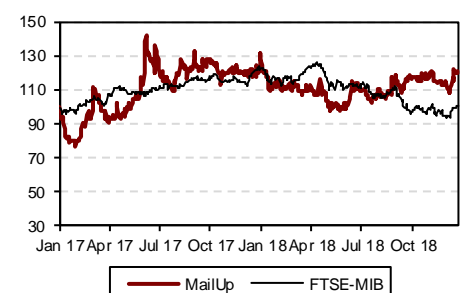
- **MailUp released its full FY18 results slightly above expectations:**
 - Revenues (previously released) €40.2m (+47% YoY organic growth, €12.9m in 4Q18);
 - EBITDA €3.8m (+31% YoY), 5% above cons. €3.6m;
 - Net Income €1.3m, +105% YoY;
 - Net Cash of €6.4m, vs. €7.3m in FY17.
- **Rev. growth was driven by the SMS line**, in terms of both revenues (€27.2m) and growth (+71%) versus FY17 (in particular driven by the business unit Agile Telecom and by MailUp). The positive performance by the Agile Telecom division is the result of the rising focus of investments on the wholesale market (resellers, SMS aggregators, telecom providers). Company sent 1bn SMS in FY18, with a significant contribution from Two-Factor Authentication.
- **We have slightly fine-tuned our estimates** (previously raised FY19 and FY20 revenue estimates by 9%-6% to €48m and €58m, respectively, to incorporate the organic growth acceleration reported in preliminary 4Q18 trading statement by the Agile and Telecom division) **and we confirm our Buy rating and our VR of €3.5-3.7/share**. MailUp is trading at 26x '19 PE and 7x '19 EV/EBITDA. FCF yield is 2%.
- **Other takeaways from the conference call:**
 - **No guidance or targets were released for 2019:** next catalyst will be April 10th when the company will release its 1Q19.
 - **Datatics** figures are not yet consolidated in terms of profit & loss. The business is growing as expected. MailUp started introducing Datatics in Italy a few weeks ago. They are confident they will create synergic value with the combination with MailUp.
 - **Globase turnaround:** by the end of the month they will be able to finish it (they will have some cost savings relating to this).
 - **M&A: MailUp is currently scouting and targeting companies with a well-established rev. base and with good margin, in Europe or USA.**
 - **ARPU** was c. €1.5k in FY18 and MAIL expect to increase ARPU in FY19 as they will add A.I. services in Italy, already passed a price increase and plan another one this year.

| Key financials | | | |
|----------------|-------|-------|-------|
| €m | 2019E | 2020E | 2021E |
| Revenues | 50.8 | 61.2 | 71.8 |
| EBITDA | 5.2 | 7.1 | 8.8 |
| EBIT | 2.7 | 4.4 | 5.4 |
| PBT | 2.7 | 4.4 | 5.5 |
| Net income | 1.8 | 2.8 | 3.6 |
| Sales growth | 26% | 20% | 17% |
| EBITDA mg | 10.2% | 11.5% | 12.2% |
| EBIT mg | 5.3% | 7.1% | 7.6% |
| PER | 26.1 | 16.3 | 13.0 |

Source: Fidentiis Research & Factset

| EV Valuations | | | |
|-------------------|-----------|-----------|-----------|
| €m | 2019 E | 2020 E | 2021 E |
| + Mkt Cap | 44 | 44 | 44 |
| + Net Debt | -6.7 | -8.8 | -13.1 |
| - Non-core assets | 0.2 | 0.2 | 0.2 |
| +/- Other | 0.0 | 0.0 | 0.0 |
| = EV | 37 | 35 | 30 |
| EV/Sales (x) | 0.7 | 0.6 | 0.4 |
| EV/EBITDA (x) | 7.1 | 4.9 | 3.5 |
| EV/EBIT (x) | 13.7 | 8.0 | 5.6 |
| EV/IC (x) | 3.9 | 3.2 | 2.6 |

MailUp vs. FTSE-MIB



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FY18 results in details:

- FY18 Revenues (that were already released) at €40.2m, +47% YoY; FY18 Rev. abroad €16.1m, +43% YoY;
- EBITDA: €3.8m, +31% YoY, vs. FidEst. €3.6m, vs. cons. €3.6m;
- EBIT: €1.9m, +48% YoY, vs. FidEst. €1.4m, vs. cons. €1.6m;
- Net Income: €1.3m, +105% YoY, vs. FidEst. €0.9m, +35% YoY, vs. cons. €0.95m;
- Net Cash: €6.4m, vs. FidEst. €6.6m, vs. €7.3m in FY17, vs. cons. €6.75m.

FY18 revenues by business unit:

- MailUp €13.1m, +16.3% YoY, vs. FidEst. €13.1m;
 - Agile Telecom €26.3m, +78% YoY, vs. FidEst. €23.1m;
 - BEE €1.2m, +107% YoY, vs. FidEst. €1.4m;
 - Acumbamail €0.9m, +26% YoY, vs. FidEst. €1m;
 - Globase €0.7m, -35% YoY, vs. FidEst. €0.6m.
- The performance of the Agile division (SMS dispatching management, FY18 rev €26.3m +78% y/y) exceeded budget, as a result of a focus on the wholesale and OTP (One Time Password) segments. These segments are meant to be mature but still grow faster than budgeted.
 - The Mail-Up division (€13.1m, +16% y/y) is growing with SME customers also thanks to the Professional Services product line (that depressed margin after hiring 15 employees).
 - BEE is doing very well (€1.2m, +107% y/y); Co doubled the number of employees and rising A&P. The division is scalable with high margin.
 - AcumbaMail (€0.9m, +26.4% y/y) is growing well; in FY18 a change in accounting criteria brought a small depression of margin (-€0.09m y/y for FY18).
 - Datatrics, bought in December '17, is not yet consolidated. Revenue at purchase was €300k and in FY18 was €1m with 150 customers. MAIL is investing heavily introducing services to the c. 10k customers in Italy (begun past few weeks)
 - Globase (€0.7m -35% y/y) will finish restructuring this month completing the changeover to a brand-new platform.

Other takeaways:

- Italy accounted for c. 60% of revenue, Rest of Europe 30%, US c. 8%, RoW 2%
- Co increased prices in their Mail-Up unit and plan to pass on a second price increase this year.
- Co will hire in the BEE and Datatrics units, add some personnel in Mail-Up whereas personnel should stay stable in Agile and Acumba.



Recent entry in the FT1000, the list of Europe's fastest-growing companies

MailUp announced its entry into FT1000, the third annual list of the 1000 European companies that achieved the highest % compound annual growth rate in revenues between 2014 and 2017. MailUp Group ranks 113 in terms of FY17 sales.

The entry in the FT1000 is the result of the strong commitment of the company in terms of innovation and growth, both organically and through acquisition. The company is becoming a reference point in Europe in the field of cloud marketing technologies, serving over 21k customers in both SME and Enterprise contest.



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