

## IT Services

### Data

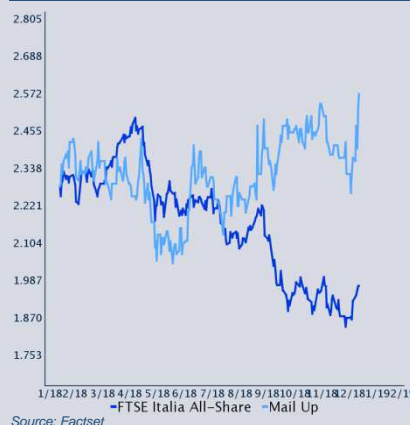
Shares Outstanding (m):	14.9
Market Cap. (EURm):	37.6
Enterprise Value (EURm):	32.6
Free Float (%):	31.7%
Av. Daily Trad. Vol. (m):	0.01
Main Shareholder:	Founders 54.4%
Reuters/Bloomberg:	MAIL.MI MAIL.IM
52-Week Range (EUR)	2.0 2.8

Source: Factset, UbiBanca estimates

### Performance

	1m	3m	12m
Absolute	4.6%	7.2%	2.9%
Rel. to FTSE IT	2.9%	8.1%	26.1%

### Graph area Absolute/Relative 12 M



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## Amazing +56% gross sales in 4Q18

Following the release of preliminary FY18 gross sales and closing of Datatrics acquisition, we confirm our BUY rating and increase our target price by 2.4% to EUR3.72. MailUp announced 2018 total gross sales of EUR39.66 million: +48% YoY and 6.5% above our expectations. Positive surprise was mainly due to the outstanding performance recorded by Agile Telecom (+80% YoY to EUR23.3 million compared to EUR21.5 million of our forecast) and BEE (+182% YoY to EUR1.4 million vs EUR1 million expected). Therefore, we have revised our estimates of consolidated revenues by 9% to EUR38.5 million in 2018 and by 7% in both 2019 and 2020. Considering the higher than expected increase in the weight of the wholesale traffic sold by Agile Telecom, we have broadly left unchanged our 2018-2020 EBITDA forecast (0.7% average upwards revision) and EPS estimates (0.8% average rise). The stock is trading on an EV/EBITDA 2018E-2019E of 8.9-6.2x compared to 17.2-14.5x of its European comparable company dotDigital (>EUR250 million market cap). In our view, such huge discount is unjustified given its potential superior growth opportunities from the integration of Datatrics and the take-off of the advisory activity

- > In 4Q18 gross sales grew by 56% YoY to EUR12.6 million mainly driven by Agile Telecom (+93% YoY to EUR7.9 million) which significantly expanded into wholesale market. The take-off of BEE was successful (+172% YoY to EUR0.47 million sales). MailUp was up 14% to EUR3.87 million thanks to a re-pricing action still ongoing and new Messaging Apps.
- > On 18 December, MailUp announced the final closing of the acquisition of Datatrics. The EUR1.56 million capital increase dedicated to BMC Holding, which controlled Datatrics, was executed at EUR2.368 per share compared to EUR2.25 of our assumption. New issued shares were 657,859 (5% below our forecast) and represent 4.4% of total shares.
- > On 20 December, the founders, who together own 8.13 million shares or 54.44% of share capital, announced to have entered a 3-year shareholders agreement regarding 7.48 million shares (50.1% of share capital) by contributing in equal measure.
- > Our EUR3.72 per share target price is based on a DCF valuation (WACC 9.9%, g 2%) and implies an EV/EBITDA 19E of 9.2x, 37% below dotDigital. Main risks are: (1) low liquidity; (3) evolution to omnichannel offer by competitors; (3) M&A disappointment.

### Financials

	2017	2018E	2019E	2020E
Revenues (EURm)	26.4	38.5	48.1	56.5
EBITDA (EURm)	2.9	3.6	5.3	6.8
EBITDA margin (%)	10.9%	9.5%	11.0%	12.1%
EBIT (EURm)	1.3	1.8	3.2	4.5
EPS (EUR)	0.04	0.07	0.13	0.19
CFPS (EUR)	0.14	0.32	0.22	0.31
DPS (EUR)	0.00	0.00	0.00	0.00

Source: Company Data, UBI Banca Estimates

### Ratios

	priced on 14 January 2019			
	2017 *	2018E	2019E	2020E
P/E(x)	51.6	37.7	19.5	13.4
P/CF(x)	184.7	7.6	13.1	8.3
P/BV(x)	2.0	2.3	2.1	1.8
Dividend Yield	0.0%	0.0%	0.0%	0.0%
EV/EBITDA(x)	7.3	8.9	6.2	4.7
Debt/Equity (x)	-0.5	-0.4	-0.4	-0.4
Debt/EBITDA (x)	-2.5	-1.9	-1.4	-1.2

Source: UBI Banca Estimates \* Basend on average 2017 price

Figure 1. MailUp – FY17-18 and 4Q17-18 gross sales.

Gross sales include sales from multi-annual contracts, hence they may differ from final consolidated revenues. In 2017 consolidated turnover was EUR26.4 million vs EUR26.8 million gross sales.

MailUp (EURm)	FY17	FY18	% change	4Q17	4Q18	% change
<b>Total gross sales *</b>	<b>26.8</b>	<b>39.7</b>	48.2%	<b>8.1</b>	<b>12.6</b>	56.3%
MailUp	11.6	13.4	15.7%	3.4	3.9	14.1%
Agile Telecom	13.0	23.3	79.9%	4.1	7.9	92.6%
BEE	0.5	1.4	182.1%	0.2	0.5	172.1%
Acumbamail	0.7	1.0	38.5%	0.2	0.3	21.4%
Globase	1.0	0.6	-46.0%	0.2	0.1	-43.4%

Source: Company data

\* Data unaudited

Figure 2. MailUp – FY17-18 reported gross sales vs estimates

2018 strong growth reflected the reorganization process started in 2H17: focusing of MailUp on the mid-large enterprise segment and launch of the new professional services business line; development of wholesale business by Agile Telecom.

MailUp (EURm)	FY17	FY18	FY18E	Delta %
<b>Total gross sales *</b>	<b>26.8</b>	<b>39.7</b>	<b>37.3</b>	6.5%
MailUp	11.6	13.4	13.3	0.2%
Agile Telecom	13.0	23.3	21.5	8.7%
BEE	0.5	1.4	1.0	47.8%
Acumbamail	0.7	1.0	1.0	-0.7%
Globase	1.0	0.6	0.5	11.6%

Source: Company data, UBI Banca estimates

\* Data unaudited

Figure 3 – Old vs. New estimates

(EURm)	2017	2018E		2019E		2020E	
		Old	New	Old	New	Old	New
Sales	26.4	35.3	38.5	44.8	48.1	52.8	56.5
% change			9.1%		7.3%		7.0%
EBITDA	2.9	3.62	3.65	5.23	5.27	6.79	6.82
% change			0.6%		0.8%		0.5%
EBIT	1.3	1.83	1.84	3.22	3.23	4.53	4.54
% change			0.7%		0.2%		0.3%
Net profit	0.5	0.99	1.00	1.92	1.93	2.80	2.81
% change			0.9%		0.3%		0.3%
EPS	0.039	0.066	0.067	0.129	0.130	0.188	0.189
% change			1.2%		0.6%		0.6%
Net debt	-7.25	-6.90	-6.93	-7.10	-7.13	-8.40	-8.21

Source: Company data, UBI Banca estimates

Figure 4. Shareholder structure

Following the closing of the acquisition of Datatrics total outstanding shares are 14.931.166. Treasury shares amount to 73.320. In case of total earn-out in the next 4 years Datatrics shareholders' could reach 11.89% of total capital.

Shareholders	# of shares (m)	% stake
Luca Azzali (Director BU MailUp)	1.66	11.1%
Nazzareno Gorni (CEO)	1.65	11.1%
Alberto Miscia (Manager BU MailUp)	1.65	11.1%
Matteo Monfredini (Chairman)	1.64	11.0%
Matteo Bettoni (Director BU Agile Telecom)	1.53	10.3%
Gianluca Pronti (including Zoidberg's stake)	1.23	8.3%
Employees	0.10	0.7%
Treasury shares	0.07	0.5%
Datatrics' shareholders	0.66	4.4%
Market	4.73	31.7%
<b>Total</b>	<b>14.93</b>	<b>100.0%</b>

Source: Company data as of 7 January 2019

Figure 5. Peer comparison and valuation based on multiples priced on 9 January 2019

MailUp is trading at 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	
		2018E	2019E	2018E	2019E	2018E	2019E
Alkemy SpA	57	0.7x	0.5x	6.7x	4.3x	9.3x	6.4x
DigiTouch SpA	18	0.5x	0.3x	3.2x	2.1x	6.4x	3.7x
Triboo SpA	48	0.7x	0.6x	5.3	4.1x	14.1x	9.5x
Italian AIM peers Average		0.7x	0.5x	5.1x	3.5x	9.9x	6.5x
dotDigital Group plc	256	5.0x	4.2x	17.2x	14.5x	20.4x	18.4x
IMImobile PLC	153	1.2x	1.1x	9.2x	8.4x	12.0x	10.9x
Foreign peers Average		3.1x	2.6x	13.2x	11.5x	16.2x	14.7x
<b>Average</b>		<b>1.9x</b>	<b>1.6x</b>	<b>9.2x</b>	<b>7.5x</b>	<b>13.1x</b>	<b>10.6x</b>
<b>MailUp</b>	<b>38</b>	<b>0.8x</b>	<b>0.6x</b>	<b>8.9x</b>	<b>6.2x</b>	<b>17.5x</b>	<b>10.1x</b>
<b>Premium/Discount to average</b>		<b>-58%</b>	<b>-60%</b>	<b>-4%</b>	<b>-18%</b>	<b>34%</b>	<b>-5%</b>
MailUp at target		1.3x	1.0x	13.3x	9.2x	26.4x	15.0x
Premium/Discount to average		-33%	-35%	45%	23%	102%	42%
Premium/Discount to Dotdigital		-75%	-76%	-23%	-37%	29%	-18%

Source: Company data, UBI Banca estimates

## Income Statement

(EURm)	2017	2018E	2019E	2020E
Net Revenues	26.4	38.5	48.1	56.5
EBITDA	2.9	3.6	5.3	6.8
EBITDA margin	10.9%	9.5%	11.0%	12.1%
EBIT	1.3	1.8	3.2	4.5
EBIT margin	4.8%	4.8%	6.7%	8.0%
Net financial income /expense	-0.0	-0.0	-0.0	-0.0
Associates & Others	-0.1	0.0	0.0	0.0
Profit before taxes	1.2	1.8	3.2	4.5
Taxes	-0.6	-0.8	-1.3	-1.7
Minorities & discontinuing ops	-0.1	0.0	0.0	0.0
Net Income	0.5	1.0	1.9	2.8

Source: Company data, UBI Banca estimates

## Balance Sheet

(EURm)	2017	2018E	2019E	2020E
Net working capital	-7.1	-8.7	-7.6	-6.7
Net Fixed assets	15.1	19.9	21.0	22.2
M/L term funds	-1.2	-1.7	-2.1	-2.5
Capital employed	6.7	9.6	11.3	13.0
Shareholders' equity	13.8	16.4	18.3	21.1
Minorities	0.1	0.1	0.1	0.1
Shareholders' funds	13.9	16.5	18.4	21.2
Net financial debt/(cash)	-7.3	-6.9	-7.1	-8.2

Source: Company data, UBI Banca estimates

## Cash Flow Statement

(EURm)	2017	2018E	2019E	2020E
NFP Beginning of Period	-1.0	-7.3	-6.9	-7.1
Group Net Profit	0.5	1.0	1.9	2.8
Minorities	0.1	0.0	0.0	0.0
D&A	1.6	1.8	2.0	2.3
Change in Funds & TFR	-2.1	2.1	-1.1	-0.6
Gross Cash Flow	0.2	4.9	2.9	4.5
Change In Working Capital	1.5	-0.1	0.4	0.1
Other	0.4	-0.0	-0.0	-0.0
Operating Cash Flow	2.0	4.8	3.3	4.6
Net Capex	-2.0	-6.7	-3.1	-3.5
Other Investments	-0.0	0.0	0.0	0.0
Free Cash Flow	-0.0	-1.9	0.2	1.1
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.	6.3	1.6	0.0	0.0
Change in NFP	6.3	-0.3	0.2	1.1
NFP End of Period	-7.3	-6.9	-7.1	-8.2

Source: Company data, UBI Banca estimates

## Financial Ratios

(%)	2017	2018E	2019E	2020E
ROE	4.0%	6.1%	10.5%	13.3%
ROI (pre-tax)	17.0%	19.1%	26.2%	31.4%
Net Fin. Debt/Equity (x)	-0.5	-0.4	-0.4	-0.4
Net Fin. Debt/EBITDA (x)	-2.5	-1.9	-1.4	-1.2
Interest Coverage	0.0	0.0	0.0	0.0
NWC/Sales	-26.9%	-22.5%	-15.7%	-11.9%
Capex/Sales	-7.7%	-17.4%	-6.4%	-6.2%
Pay Out Ratio	0.0%	0.0%	0.0%	0.0%

Source: Company data, UBI Banca estimates

## Per Share Data

(EUR)	2017	2018E	2019E	2020E
EPS	0.04	0.07	0.13	0.19
DPS	0.00	0.00	0.00	0.00
Op. CFPS	0.11	0.32	0.22	0.31
Free CFPS	0.00	-0.13	0.01	0.07
BVPS	0.98	1.10	1.23	1.41

Source: Company data, UBI Banca estimates

## Stock Market Ratios

(x)	2017 *	2018E	2019E	2020E
P/E	51.6	37.7	19.5	13.4
P/OpCFPS	13.9	7.9	11.5	8.2
P/BV	2.0	2.3	2.1	1.8
Dividend Yield (%)	0.0%	0.0%	0.0%	0.0%
Free Cash Flow Yield (%)	-0.0%	nm	0.5%	2.9%
EV (EURm)	21.0	32.6	32.8	32.1
EV/Sales	0.8	0.8	0.7	0.6
EV/EBITDA	7.3	8.9	6.2	4.7
EV/EBIT	16.4	17.8	10.2	7.1
EV/Capital Employed	3.1	3.4	2.9	2.5

Source: Company data, UBI Banca estimates

\* Based on average 2017 price

## Growth Rates

(%)	2017	2018E	2019E	2020E
Growth Group Net Sales	26.7%	45.7%	24.8%	17.6%
Growth EBITDA	19.3%	26.7%	44.5%	29.5%
Growth EBIT	7.9%	43.6%	75.6%	40.6%
Growth Net Profit	-29.7%	82.0%	93.1%	45.6%

Source: Company data, UBI Banca estimates

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- > UBI Banca may have long or short positions with the issuer

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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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<b>Buy</b>	<b>Hold</b>	<b>Sell</b>	<b>No Rating</b>
100%	100%	-	100%

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