

IT services
Data

Shares Outstanding (m):	14.97
Market Cap. (EURm):	65.9
Enterprise Value (EURm):	64.3
Free Float (%):	33.1%
Av. Daily Trad. Vol. (m):	0.01
Main Shareholder:	Founders 53.6%
Reuters/Bloomberg:	MAIL.MI MAIL IM
52-Week Range (EUR)	2.2 4.5

Source: Factset, UbiBanca estimates

Performance

	1m	3m	12m
Absolute	15.8%	26.4%	92.1%
Rel. to FTSE	8.0%	20.0%	89.2%

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

Financials

	2018	2019E	2020E	2021E
Revenues (EURm)	39.0	59.9	71.3	83.1
EBITDA (EURm)	3.8	4.8	7.3	9.6
EBITDA margin (%)	9.7%	8.0%	10.2%	11.6%
EBIT (EURm)	1.9	2.4	4.5	6.4
EPS (EUR)	0.08	0.09	0.18	0.27
CFPS (EUR)	0.17	0.02	0.40	0.49
DPS (EUR)	0.00	0.00	0.00	0.00

Source: Company Data, UBI Banca Estimates

Agile Telecom hurt by one-off

In 1H19 results, MailUp confirmed a solid growth in revenues (EUR28.4 million, +60% YoY) but operating performance (+15% YoY of EBITDA at EUR2.14 million) and net profit (-20% YoY at EUR0.4 million) were jeopardized by EUR0.67 million one-off related to extra expenses for 2018 due to additional billing of the cost of traffic applied to Agile Telecom by a telecom operator since May 2018. First adoption of IFRS16 had a negligible impact on EBIT and net profit while the shift from operating rental costs to depreciation of right of use assets had a positive impact on EBITDA of EUR0.33 million; new lease liabilities for EUR2.4 million were accounted in the financial debt. We have left unchanged our revenues 2019-2021 estimates but reduced 2019 EBITDA and EBIT by respectively 14% and 32% to incorporate around EUR1 million expected impact on 2019 of extra cost for Agile Telecom. The event is expected to bear no consequences in the coming years. Following IFRS16 implementation, we have risen our assumption on D&A 2020-2021; therefore we have cut our EBIT and net profit 2020-2021 forecast by respectively 6% and 14% on average. We set a new target price of EUR5.07 per share (-2.5%) and confirm our BUY rating: the stock is trading on an EV/EBITDA 2019E-2020E of 13.3-8.6x compared to MailUp 17-15x of its European comparable company dotDigital and its healthy balance sheet allows potential new creative acquisitions.

- > In 1H19 EBITDA was EUR2.14 million; MailUp contributed by 55% of total generating EUR1.2 million (16.5% EBITDA margin), BEE reached EBITDA positive at EUR0.3 million which offset Datatric's loss and Agile Telecom generated EUR0.8 million after recording EUR0.67 million negative one-off due to extra cost in 2018 (4% EBITDA margin, 8% net of one off vs 12.4% in 1H18).
- > The management specified that they are in dispute with the telecom operator and that there will be no impact on 2020. Operating cash flow was EUR1.6 million (77% conversion ration). Free cash flow generation was equal to EUR0.26 million after EUR0.98 million cash-out for earn-outs.
- > Our EUR5.07 per share target price is based on a DCF valuation (WACC 9.0%, g 2%) and implies an EV/EBITDA 20E of 14.9x, which is 12% below dotDigital; on EV/EBITDA20E it corresponds to 9.9x (33% gap on European peer). Main risks are: (1) low liquidity; (2) increasing competition in MarTech; (3) M&A disappointment.

Ratios
priced on 17 September 2019

	2018 *	2019E	2020E	2021E
P/E(x)	27.8	49.5	24.2	16.2
P/CF(x)	4.0	23.8	13.0	9.1
P/BV(x)	2.2	3.8	3.3	2.7
Dividend Yield	0.0%	0.0%	0.0%	0.0%
EV/EBITDA(x)	7.8	13.3	8.6	6.3
Debt/Equity (x)	-0.4	-0.2	-0.2	-0.3
Debt/EBITDA (x)	-1.7	-0.6	-0.6	-0.7

Source: UBI Banca Estimates * Based on 2018 average price

Key Financials

(EURm)	2018	2019E	2020E	2021E
Revenues	39.0	59.9	71.3	83.1
EBITDA	3.8	4.8	7.3	9.6
EBIT	1.9	2.4	4.5	6.4
NOPAT	1.3	1.6	3.0	4.3
Free Cash Flow	-1.3	-3.6	1.6	2.3
Net Capital Employed	9.6	14.5	15.6	17.3
Shareholders' Equity	15.9	17.3	20.0	24.0
Net Financial Position	-6.4	-2.8	-4.4	-6.7

Source: Company data, UBI Banca estimates

Key Profitability Drivers

	2018	2019E	2020E	2021E
Net Debt/Ebitda (x)	-1.7	-0.6	-0.6	-0.7
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%	8.0%	14.6%	18.4%
ROI after-tax (%)	11.1%	9.2%	14.8%	19.7%
ROCE (%)	15.6%	13.4%	19.9%	26.0%

Source: Company data, UBI Banca estimates

Key Valuation Ratios

	2018 *	2019E	2020E	2021E
P/E (x)	27.8	49.5	24.2	16.2
P/BV (x)	2.6	3.8	3.3	2.7
P/CF (x)	4.0	23.8	13.0	9.1
Dividend Yield (%)	0.0%	0.0%	0.0%	0.0%
EV/Sales (x)	0.8	1.1	0.9	0.8
EV/EBITDA (x)	7.8	13.3	8.6	6.3
EV/EBIT (x)	15.6	26.8	14.0	9.4
EV/CE (x)	3.1	4.4	4.0	3.5

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	-21.2%	-11.5%	-10.6%	-9.3%
Capex/Sales	-8.5%	-6.4%	-6.2%	-6.0%

Source: Company data, UBI Banca estimates

Recent Developments

- > MailUp closed 1H19 with consolidated revenues at EUR28.4 million (+60% YoY rise), boosted mainly by SMS (+74% to EUR20.8 million); email business recorded a 17% jump to EUR6.3 million, inclusive of EUR1.05 million recorded by BEE (+147% YoY). Datatrics generated EUR0.85 million revenues compared to around EUR1 million in 2018. In 1H19, international revenues grew by 71% YoY to EUR13.4 million, reaching 46% of total revenues vs 43% in 1H18.
- > Consolidated EBITDA closed at EUR2.14 million (+15% YoY), hurt by EUR0.67 million one-off due to cost for 2018 recorded by Agile Telecom as an effect of unexpected increase in the cost of traffic applied since May 2018 by a telecom operator. First-time adoption of IFRS16 moved EUR0.33 million operating cost to amortization, which increased from EUR0.9 million in 1H18 to EUR1.3 million in 1H19. Adjusted EBITDA (ex IFRS16 and one-off) amounted to EUR2.5 million, equal to 8.7% EBITDA margin vs 10.6% in 1H18; the 180bp drop was due to the consolidation of Datatrics' loss (110bp) and to lower margin recorded by Agile Telecom on new contracts.
- > Looking at the breakdown by business units, MailUp generated 55% of total EBITDA, Datatrics loss was EUR0.3 million and offset positive contribution by BEE while Agile Telecom EBITDA dropped from EUR1.3 million to EUR0.8 million; net of one-off its EBITDA margin on VoP would have been at ca. 8% compared to 12.4% in 1H18. EBIT closed at EUR0.8 million and net profit at EUR0.4 million.
- > Operating cash flow was equal to EUR1.6 million while net cash flow was EUR0.26 million following EUR0.975 million cash out for earn-outs (EUR0.375 million for Datatrics, EUR0.6 million for Agile Telecom).
- > The company recorded EUR2.4 million debt for the first adoption of IFRS16. Net financial position was positive at EUR4.38 million (EUR6.8 million ex-IFRS16). Fixed assets jumped in 1H19 by EUR2.4 million to EUR24.4 million mainly due to IFRS16. Total shareholder's equity amounted to EUR16.4 million.
- > During the conference call the management said that they are in dispute with the telecom operator on 2018-2019 billing; anyway, 2020 will not be affected by the rise in the cost of traffic because they will activate alternative channels.
- > As regarding potential M&A, they confirmed that scouting is ongoing to target profitable companies with revenues generated mainly in Europe and USA. On 30 July, Mr. Armando Biondi was appointed as new Chief Growth Officer to support growth both organically and via M&A. He was previously independent director of the company.
- > By the end of 2019, Milan headquarter will be moved to a new 1,150 sqm space with ca. 90 freely allocated workstations; the related investment is estimated in EUR1 million.

Figure 1 – 1H19-1H18 results

(EURm)	1H18A	1H19A	% change
Revenues	17.69	28.38	60.4%
email	5.49	6.34	15.3%
SMS	11.95	20.84	74.3%
Professional services	0.24	0.35	45.1%
Datatrics	-	0.85	
VoP	18.04	29.31	62.5%
EBITDA	1.87	2.14	14.9%
EBITDA margin	10.6%	7.6%	-3.0%
Adj. EBITDA	1.87	2.48	32.8%
Adj. EBITDA margin	10.6%	8.7%	-1.8%
EBIT	1.01	0.81	-19.6%
EBIT margin	5.7%	2.9%	-2.9%
Net Profit/loss	0.51	0.41	-19.9%
Net Profit margin	2.9%	1.4%	-1.5%
Net debt/(Cash)	-8.90	-4.38	
Net debt/(cash) without IFRS16		-6.81	

Source: Company data

Figure 2 – 1H18 and 1H19 breakdown of operating results by business units

(EURm)	1H18A	1H19A	% change
VoP	17.96	29.31	63.2%
MailUp	6.60	7.23	9.6%
Agile Telecom	10.17	19.07	87.6%
Acumbamail	0.42	0.57	36.5%
BEE	0.43	1.05	146.7%
Datatrics		0.92	n.a.
Holding	0.35	0.46	33.8%
EBITDA	1.79	2.14	19.7%
MailUp	0.99	1.19	20.2%
Agile Telecom	1.26	0.78	-37.7%
Acumbamail	0.07	0.12	71.4%
BEE	0.10	0.32	223.2%
Datatrics	-	-0.28	n.a.
Holding	-0.63	0.01	
EBITDA margin	10.0%	7.3%	-2.7%
MailUp	15.0%	16.5%	1.4%
Agile Telecom	12.4%	4.1%	-8.3%
Acumbamail	16.8%	21.1%	4.3%
BEE	23.2%	30.4%	7.2%
Datatrics		-30.3%	n.a.

Source: Company data

Financial Projections

> We have revised 2019 estimates to incorporate the increase of cost of traffic applied by a telecom operator, which will be replaced during 2019. Specifically, we assume EUR1 million impact on both EBITDA and net debt position. In addition, since 2019 we incorporate IFRS16 effect equal to EUR2.4 million debt due to leasing liabilities and EUR0.3 million higher amortisation. Overall we cut our net profit forecast by 38% in 2019 and by 6.9% on average in 2020-2021.

Figure 3 – Old vs. New estimates

(EURm)	2018A	2019E		2020E		2021E	
		Old	New	Old	New	Old	New
Revenues	39.0	59.9	59.9	71.3	71.3	83.1	83.1
% change			0.0%		0.0%		0.0%
EBITDA	3.77	5.60	4.82	7.26	7.26	9.60	9.60
% change			-13.9%		0.0%		0.0%
EBIT	1.90	3.51	2.40	4.79	4.47	6.72	6.39
% change			-31.7%		-6.8%		-4.9%
Net profit	1.25	2.14	1.33	2.96	2.72	4.30	4.06
% change			-37.7%		-8.1%		-5.6%
Net debt((Cash)	-6.4	-5.7	-2.8	-6.3	-4.4	-8.9	-6.7
EBITDA margin	9.7%	9.3%	8.0%	10.2%	10.2%	11.6%	11.6%
EBIT margin	4.9%	5.9%	4.0%	6.7%	6.3%	8.1%	7.7%

Source: Company data, UBI Banca estimates

Figure 4. VoP and EBITDA breakdown by segments in 2017-2022E

Since 1H19 results, holding costs (EUR1.6 million forecast) are split among business units.

(EURm)	2017	2018	2019E	2020E	2021E	2022E
VoP (Consolidated)	27.3	40.2	61.5	73.1	85.2	95.1
MailUpl	11.3	13.1	15.2	16.7	18.6	20.6
Agile Telecom	14.8	26.3	40.7	46.1	50.7	54.8
Acumbamail	0.7	0.9	1.0	1.2	1.3	1.4
BEE	0.6	1.2	3.2	5.0	7.5	9.5
Datatics			2.4	5.0	8.0	9.8
Holding	1.5	1.4	1.4	1.4	1.4	1.4
EBITDA	2.86	3.80	4.82	7.26	9.60	11.20
MailUpl	2.80	2.40	2.51	2.76	3.07	3.40
Agile Telecom	1.35	2.50	1.90	3.59	4.09	4.51
Acumbamail	0.25	0.20	0.17	0.19	0.21	0.24
BEE	-0.04	0.40	0.74	1.01	1.73	2.15
Datatics			-0.50	-0.30	0.50	0.90
Holding	-1.05	-1.60	0.00	0.00	0.00	0.00
EBITDA margin %	10.5%	9.5%	7.8%	9.9%	11.2%	11.7%
MailUpl	24.8%	18.3%	16.5%	16.5%	16.5%	16.5%
Agile Telecom	9.1%	9.5%	4.7%	7.8%	8.1%	8.2%
Acumbamail	35.7%	22.2%	16.5%	16.7%	16.8%	17.0%
BEE	-6.7%	33.3%	23.1%	20.2%	23.1%	22.6%
Datatics			-20.8%	-6.0%	6.2%	9.1%
Holding	-70.0%	-114.3%	0.0%	0.0%	0.0%	0.0%

Source: Company data, UBI Banca estimates

Valuation

> Given the revisions to our forecasts, our target price based on DCF (WACC 9.0%, g 2%) has been decreased by 2% to EUR5.07 per share, leaving a 27% upside. Our TP implies an EV/EBITDA 19E of 14.6x, which is 20% below dotDigital.

Figure 5. WACC and embedded DCF assumptions

WACC assumptions		Embedded DCF assumptions	
Risk-free rate	2.5%	Revenue CAGR 2019-2022 (%)	24.2%
Debt spread (%)		Target EBIT margin 2022 (%)	41.6%
Cost of debt [net] (%)		D&A. on sales (avg. 2019-2022) (%)	3.7%
Market risk premium (%)	4.5%	Capex on sales (avg. 2019-2022) (%)	6.1%
Beta (x)	1.40	Revenue CAGR 2023-2026 (%)	4.7%
Cost of equity (%)	9.0%	Target EBIT margin 2026 (%)	9.7%
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	9.0%		

Source: UBI Banca estimates

Figure 6. DCF Valuation

Our DCF valuation implies an EV/EBITDA 2019E of 14.9x			
	Valuation (EURm)	% Weight	Per share (EUR)
Sum of PV 2019-22 FCF	4.3	6%	0.28
Sum of PV 2023-26 FCF	11.8	16%	0.79
Terminal Value	55.5	78%	3.71
Total Enterprise value	71.6	100%	4.78
- minorities	0.0		0.00
- financial assets	0.2		0.02
- net cash (debt) at end-2018	6.4		0.43
- debt due to leasing (IFRS16)	-2.4		-0.16
Total Equity value	75.9		5.07
Number of shares outstanding (m)	14.97		
Fair value per share (EUR)	5.07		

Source: UBI Banca estimates

Figure 7. Implicit multiples based on our EUR5.07 target price

(x)	2019E	2020E	2021E
P/E	57.1	27.9	18.7
EV/EBITDA	14.9	9.9	7.5
EV/EBIT	29.9	16.0	11.2
EV/Sales	1.2	1.0	0.9
P/BV	4.4	3.8	3.2
EV/ Capital employed	4.9	4.6	4.1

Source: UBI Banca estimates

Figure 8. Peer comparison and valuation based on multiples priced on 17 September 2019
Despite the 2019 one-off on operating performance MailUp is trading at a discount compared to foreign players which have got similar business model.

	Market Cap	EV/Sales		EV/EBITDA		EV/EBIT	
		2019E	2020E	2019E	2020E	2019E	2020E
Alkemy SpA	57	0.8x	0.7x	11.0x	7.8x	15.1x	9.7x
DigiTouch SpA	18	0.5x	0.4x	3.1x	2.3x	6.1x	4.0x
Triboo SpA	44	0.6x	0.5x	4.0x	3.2x	9.8x	6.8x
Italian AIM peers Average		0.6x	0.5x	6.0x	4.4x	10.3x	6.8x
dotDigital Group plc	272	5.0x	5.1x	17.0x	14.6x	20.2x	17.6x
IMImobile PLC	244	1.5x	1.3x	12.3x	9.8x	15.5x	12.2x
Foreign peers Average		3.3x	3.2x	14.6x	12.2x	17.8x	14.9x
Average		1.9x	1.8x	10.3x	8.3x	14.1x	10.9x
MailUp	57	1.1x	0.9x	13.3x	8.6x	26.8x	14.0x
Premium/Discount to average		-45%	-52%	29%	4%	91%	29.1%
MailUp at target		1.2x	1.0x	14.9x	9.9x	29.9x	16.0x
Premium/Discount to average		-38%	-45%	44%	19%	112%	47.5%
Premium/Discount to Dotdigital		-76%	-80%	-12%	-33%	48%	-8.8%

Source: Company data, UBI Banca estimates

Income Statement

(EURm)	2018	2019E	2020E	2021E
Value of production	39.0	59.9	71.3	83.1
EBITDA	3.8	4.8	7.3	9.6
EBITDA margin	9.7%	8.0%	10.2%	11.6%
EBIT	1.9	2.4	4.5	6.4
EBIT margin	4.9%	4.0%	6.3%	7.7%
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	2.4	4.5	6.4
Taxes	-0.7	-1.1	-1.8	-2.4
Minorities & discontinuing ops	0.0	0.0	0.0	0.0
Net Income	1.3	1.3	2.7	4.1

Source: Company data, UBI Banca estimates

Balance Sheet

(EURm)	2018	2019E	2020E	2021E
Net working capital	-8.3	-6.9	-7.6	-7.7
Net Fixed assets	23.4	26.6	28.4	30.4
M/L term funds	-5.5	-5.3	-5.3	-5.3
Capital employed	9.6	14.5	15.6	17.3
Shareholders' equity	15.9	17.3	20.0	24.0
Minorities	0.0	0.0	0.0	0.0
Shareholders' funds	15.9	17.3	20.0	24.0
Net financial debt/(cash)	-6.4	-2.8	-4.4	-6.7

Source: Company data, UBI Banca estimates

Cash Flow Statement

(EURm)	2018	2019E	2020E	2021E
NFP Beginning of Period	-7.3	-6.4	-2.8	-4.4
Group Net Profit	1.3	1.3	2.7	4.1
Minorities	0.0	0.0	0.0	0.0
D&A	1.9	2.4	2.8	3.2
Change in Funds & TFR	5.5	-1.0	-0.4	0.0
Gross Cash Flow	8.7	2.8	5.1	7.3
Change In Working Capital	-1.3	-0.7	1.2	0.2
Other	-4.9	-1.8	-0.2	-0.2
Operating Cash Flow	2.5	0.3	6.0	7.3
Net Capex	-3.3	-3.8	-4.4	-5.0
Other Investments	-0.5	0.0	0.0	0.0
Free Cash Flow	-1.3	-3.6	1.6	2.3
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.	0.4	0.0	0.0	0.0
Change in NFP	-0.9	-3.6	1.6	2.3
NFP End of Period	-6.4	-2.8	-4.4	-6.7

Source: Company data, UBI Banca estimates

Financial Ratios

(%)	2018	2019E	2020E	2021E
ROE	8.4%	8.0%	14.6%	18.4%
ROI after-tax (%)	11.1%	9.2%	14.8%	19.7%
Net Fin. Debt/Equity (x)	-0.4	-0.2	-0.2	-0.3
Net Fin. Debt/EBITDA (x)	-1.7	-0.6	-0.6	-0.7
Interest Coverage	0.0	0.0	0.0	0.0
NWC/Sales	-21.2%	-11.5%	-10.6%	-9.3%
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	-0.97	0.77	0.88	0.93
DPS	0.25	0.27	0.30	0.35
Op. CFPS	0.86	1.65	1.60	1.70
Free CFPS	0.14	0.24	0.94	1.11
BVPS	4.41	4.94	5.57	6.22

Source: Company data, UBI Banca estimates

Stock Market Ratios

(x)	2018 *	2019E	2020E	2021E
P/E	nm	49.5	24.2	16.2
P/OpCFPS	13.3	249.5	10.9	9.1
P/BV	2.6	3.8	3.3	2.7
Dividend Yield (%)	2.2%	0.0%	0.0%	0.0%
Free Cash Flow Yield (%)	1.2%	nm	2.5%	3.5%
EV (EURm)	344.36	68.3	66.7	64.4
EV/Sales	1.1	1.1	0.9	0.8
EV/EBITDA	7.8	14.2	9.2	6.7
EV/EBIT	13.7	28.5	14.9	10.1
EV/Capital Employed	2.0	4.7	4.3	3.7

Source: Company data, UBI Banca estimates

* Based on 2018 average price

Growth Rates

(%)	2018	2019E	2020E	2021E
Growth Group Net Sales	47.6%	53.5%	19.0%	16.6%
Growth EBITDA	30.9%	27.8%	50.7%	32.3%
Growth EBIT	48.2%	26.3%	86.5%	43.1%
Growth Net Profit	128.6%	5.9%	104.5%	49.3%

Source: Company data, UBI Banca estimates

Disclaimer

Analyst Declaration

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Proportion on issuers to which UBI Banca has supplied investment banking services relating to the last 12 months			
Buy	Hold	Sell	No Rating
97.7%	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
26 April 2019	BUY	3.85	3.04
23 May 2019	BUY	3.89	3.31
11 July 2019	BUY	5.20	4.49