

IT services
Data

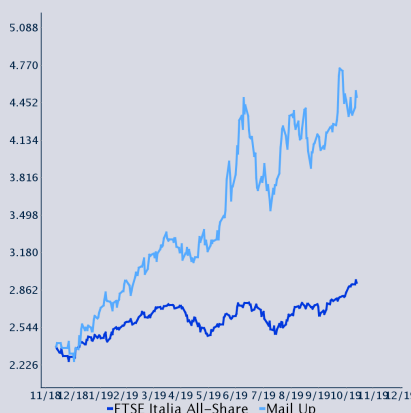
Shares Outstanding (m):	14.97
Market Cap. (EURm):	67.4
Enterprise Value (EURm):	66.7
Free Float (%):	33.2%
Av. Daily Trad. Vol. (m):	0.03
Main Shareholder:	Founders 53.6%
Reuters/Bloomberg:	MAIL.MI MAIL IM
52-Week Range (EUR)	2.3 4.7

Source: Factset, UbiBanca estimates

Performance

	1m	3m	12m
Absolute	7.1%	22.3%	81.5%
Rel. to FTSE IT	0.7%	6.8%	49.6%

Source: Factset

Graph area Absolute/Relative 12 M


Source: Factset

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3Q19: everything grows

3Q19 results showed a solid growth in EBITDA (EUR1.2 million, +59% YoY) which reflected the sound 59% YoY growth of revenues at EUR14.1 million. 3Q19 reported EBITDA margin was stable at 8.4%. First adoption of IFRS16 had a positive impact on EBITDA of EUR0.23 million; EBITDA ex-IFRS grew by 28% YoY to EUR0.95 million, equal to 6.8% EBITDA margin (-160bp due to the consolidation of loss making start-up Datatrics). New lease liabilities due to IFRS16 for EUR4.9 million were accounted in the financial debt (up EUR2.5 million compared to 1H19). We have left unchanged our estimates with the exception of further adjustment in net cash position at the end of 2019 due to IFRS16 effect. The strong operational results and improved liquidity of the stock in the last year was reflected in a drop of the volatility with 3Y beta progressively moving from 1.39 in October 2018 to current 1.28. We now incorporate a beta of 1.2, equal to the 1Y and 3Y beta average. Our DCF fair value jumps by 18% to EUR6 per share, corresponding to an EV/EBITDA 20E of 12x compared to 14x of its European direct comparable company dotDigital. Its healthy balance sheet allows potential new creative acquisitions.

- > In 9M19, MailUp recorded consolidated revenues at EUR42.5 million (+60% YoY), boosted mainly by SMS (+71% YoY to EUR30.7 million); email business was up 17% YoY to EUR9.7 million, inclusive of BEE (EUR1.9 million gross sales, +131% YoY). Datatrics sales were EUR1.5 million compared to around EUR1 million in FY18.
- > 9M19 EBITDA was EUR3.3 million (+27.5% YoY) after EUR0.67 million negative one-off recorded in 1H19 by Agile Telecom as an effect of unexpected increase in the cost of traffic applied since May 2018 by a telecom operator. They are still in dispute with the telecom operator and there was no further impact in 3Q19.
- > Our EUR6 per share target price is based on a DCF valuation (WACC 7.9%, g 2%). The stock is trading at an EV/EBITDA 20E of 9x which is 20% below average peers. Main risks are: (1) low liquidity; (2) increasing competition in MarTech; (3) M&A disappointment.

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	-0.04	0.41	0.49
DPS (EUR)	0.00	0.00	0.00	0.00

Source: Company Data, UBI Banca Estimates

Ratios
priced on 13 November 2019

	2018 *	2019E	2020E	2021E
P/E(x)	27.8	50.3	24.8	16.6
P/CF(x)	4.0	24.3	13.3	9.3
P/BV(x)	2.2	3.9	3.4	2.8
Dividend Yield	0.0%	0.0%	0.0%	0.0%
EV/EBITDA(x)	7.8	13.9	9.0	6.5
Debt/Equity (x)	-0.4	-0.1	-0.2	-0.2
Debt/EBITDA (x)	-1.7	-0.4	-0.5	-0.6

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	-4.5	1.7	2.3
Net Capital Employed	9.6	15.4	16.4	18.2
Shareholders' Equity	15.9	17.3	20.0	24.0
Net Financial Position	-6.4	-1.9	-3.5	-5.9

Source: Company data, UBI Banca estimates

Key Profitability Drivers

	2018	2019E	2020E	2021E
Net Debt/Ebitda (x)	-1.7	-0.4	-0.5	-0.6
Net Debt/Equity (x)	-0.4	-0.1	-0.2	-0.2
Interest Coverage (%)	0.0	0.0	0.0	0.0
Free Cash Flow Yield (%)	-3.8%	nm	2.5%	3.5%
ROE (%)	8.4%	8.1%	14.6%	18.4%
ROI after-tax (%)	11.0%	9.0%	14.1%	19.0%
ROCE (%)	15.6%	12.9%	18.8%	24.7%

Source: Company data, UBI Banca estimates

Key Valuation Ratios

	2018 *	2019E	2020E	2021E
P/E (x)	27.8	50.3	24.8	16.6
P/BV (x)	2.2	3.9	3.4	2.8
P/CF (x)	4.0	24.3	13.3	9.3
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	13.9	9.0	6.5
EV/EBIT (x)	15.6	27.7	14.5	9.8
EV/CE (x)	3.1	4.3	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

- > In 3Q19, MailUp recorded consolidated revenues at EUR14.1 million (+59% YoY), boosted mainly by SMS (+65% YoY to EUR9.8 million); email business were up 21% YoY to EUR3.4 million, inclusive of BEE (EUR0.8 million gross sales, +113% YoY). Datatrics sales were EUR0.66 million.
- > Overall 9M19 revenues rose by 60% YoY to EUR42.5 million, with all components of business recording significant growth.
- > 3Q19 EBITDA closed at EUR1.2 million (+59% YoY), equal to 8.4% EBITDA margin. Adjusted EBITDA (ex IFRS16 and one-off) amounted to EUR0.95 million, equal to a 28% growth despite the consolidation of Datatrics' loss.
- > In 3Q19 net cash flow was negative for EUR480k (vs EUR217k positive cash flow in 1H19) as an effect of seasonal absorption of working capital. In 9M19 cash out for earn-outs amounted to EUR0.975 million (EUR0.375 million for Datatrics, EUR0.6 million for Agile Telecom).
- > The company recorded EUR4.9 million debt for the first adoption of IFRS16. Net financial position was positive at EUR1.3 million (EUR6.1 million ex-IFRS16).

Figure 1. 3Q19-9M19E

In 3Q19 organic growth was 56% YoY (54% in 9M19).

(EURm)	3Q18A	3Q19A	% change	9M18A	9M19A	% change
Revenues	8.85	14.09	59.2%	26.54	42.47	60.0%
email	2.79	3.39	21.4%	8.29	9.72	17.4%
SMS	5.95	9.81	64.8%	17.90	30.65	71.2%
Professional services	0.11	0.23	119.9%	0.35	0.59	67.8%
Predictive marketing		0.66			1.51	
VoP	9.11	14.29	56.8%	27.15	43.60	60.6%
EBITDA	0.74	1.18	59.3%	2.61	3.32	27.5%
EBITDA margin	8.4%	8.4%	0.0%	9.8%	7.8%	-2.0%
Adj EBITDA (IFRS16)	0.74	0.95	28.3%	2.61	3.43	31.5%
Adj EBITDA margin	8.4%	6.8%	-1.6%	9.8%	8.1%	-1.8%
Net cash	N.A.	1.29		N.A.	1.29	
Net cash ex-IFRS16		6.15			6.15	

Source: Company data

Financial Projections

> Our estimates incorporate a 2019-2022 CAGR of 16% on revenues and 33% on EBITDA. We expect BEE and Datatrics cumulative revenues to move from EUR2.2 million in 2018 (pro-forma base) to EUR5.6 million in 2019 to EUR10 million in 2020, equal to 14% of consolidated revenues (from 9% in 2019)

Figure 2. Revenues breakdown by segments in 2017-2022E

Datatrics is assume to double its revenues in 2020.

(EURm)	2017	2018	2019E	2020E	2021E	2022E
Revenues	26.4	39.0	59.9	71.3	83.1	92.8
Email	9.9	11.3	14.9	17.9	21.9	25.4
SMS	15.9	27.2	41.7	47.1	51.7	55.8
Professional services	0.6	0.5	0.9	1.2	1.5	1.7
Predictive marketing (Datatrics)	0.0	0.0	2.4	5.0	8.0	9.8
Weight %						
Email	37.5%	28.9%	24.9%	25.2%	26.3%	27.4%
SMS	60.3%	69.7%	69.6%	66.1%	62.2%	60.2%
Professional services	2.2%	1.4%	1.5%	1.7%	1.8%	1.8%
Predictive marketing (Datatrics)	0.0%	0.0%	4.0%	7.1%	9.7%	10.6%

Source: Company data, UBI Banca estimates

Figure 3. 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
Datatrics			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
Datatrics			-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%
Datatrics			-20.8%	-6.0%	6.2%	9.1%

Source: Company data, UBI Banca estimates

Valuation

- > We incorporate a new beta of 1.2, equal to 1 and 3 year beta average. Our target price based on DCF (WACC 7.9%, g 2%) has been increased by 18% to EUR6 per share, leaving a 33% upside.
- > The stock is trading at an EV/EBITDA 20E of 9x which is at a 20% discount to peers and at a 36% discount to dotDigital..

Figure 5. WACC and embedded DCF assumptions

WACC assumptions		Embedded DCF assumptions	
Risk-free rate	2.5%	Revenue CAGR 2019-2022 (%)	15.7%
Debt spread (%)		Target EBIT margin 2022 (%)	8.2%
Cost of debt [net] (%)		D&A. on sales (avg. 2019-2022) (%)	3.8%
Market risk premium (%)	4.5%	Capex on sales (avg. 2019-2022) (%)	6.1%
Beta (x)	1.20	Revenue CAGR 2023-2026 (%)	3.8
Cost of equity (%)	7.9%	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	7.9%		

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	4.4	5%	0.30
Sum of PV 2023-26 FCF	12.6	14%	0.84
Terminal Value	70.9	81%	4.74
Total Enterprise value	88.0	100%	5.88
- minorities	0.0		0.00
- financial assets	0.35		0.02
- net cash (debt) at end-2018	6.4		0.43
- debt due to leasing (IFRS16)	-4.9		-0.33
Total Equity value	89.8		6.00
Number of shares outstanding (m)	14.97		
Fair value per share (EUR)	6.00		

Source: UBI Banca estimates

Figure 7. Implicit multiples based on our EUR6.00 target price

(x)	2019E	2020E	2021E
P/E	67.1	33.0	22.2
EV/EBITDA	18.3	12.1	9.2
EV/EBIT	36.5	19.7	13.8
EV/Sales	1.5	1.2	1.1
P/BV	5.2	4.5	3.7
EV/ Capital employed	5.7	5.4	4.8

Source: UBI Banca estimates

Figure 8. Peer comparison and valuation based on multiples priced on 13 November 2019
On 2020, MailUp is trading at a discount compared to foreign players which have got similar business model.

	Market Cap	EV/Sales		EV/EBITDA		EV/EBIT	
		2020E	2021E	2020E	2021E	2020E	2021E
Alkemy SpA	58	0.7x	0.6x	7.9x	6.6x	9.9x	7.9x
Vonage	1,897	1.8x	1.5x	13.7x	11.6x	65.2x	31.5x
dotDigital Group plc	265	4.9x	4.1x	14.1x	12.0x	18.0x	15.7x
IMImobile PLC	221	1.2x	Na	8.9x	na	11.0x	Na
Average		2.1x	2.1x	11.1x	10.1x	26.0x	18.3x
MailUp	67	0.9x	0.8x	9.0x	6.5x	14.5x	9.8x
Premium/Discount to average		-57%	-64%	-20%	-35%	-44%	-47%
MailUp at target		1.5x	1.2x	18.3x	12.1x	19.7x	13.8x
Premium/Discount to peers		-42%	-49%	9%	-9%	-24%	-25x
Premium/Discount to Dotdigital		-75%	-74%	-14%	-23%	9%	-12%

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	-2.3
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	27.6	29.3	31.2
M/L term funds	-5.5	-5.3	-5.3	-5.3
Capital employed	9.6	15.4	16.4	18.2
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	-1.9	-3.5	-5.9

Source: Company data, UBI Banca estimates

Cash Flow Statement

(EURm)	2018	2019E	2020E	2021E
NFP Beginning of Period	-7.3	-6.4	-1.9	-3.5
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	-2.8	-0.1	-0.1
Operating Cash Flow	2.5	-0.7	6.1	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	-4.5	1.7	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	-4.5	1.7	2.3
NFP End of Period	-6.4	-1.9	-3.5	-5.9

Source: Company data, UBI Banca estimates

Financial Ratios

(%)	2018	2019E	2020E	2021E
ROE	8.4%	8.1%	14.6%	18.4%
ROI after-tax (%)	11.0%	9.0%	14.1%	19.0%
Net Fin. Debt/Equity (x)	-0.4	-0.1	-0.2	-0.2
Net Fin. Debt/EBITDA (x)	-1.7	-0.4	-0.5	-0.6
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	0.08	0.09	0.18	0.27
DPS	0.00	0.00	0.00	0.00
Op. CFPS	0.17	-0.04	0.41	0.49
Free CFPS	-0.09	-0.30	0.11	0.16
BVPS	1.07	1.15	1.34	1.61

Source: Company data, UBI Banca estimates

Stock Market Ratios

(x)	2018 *	2019E	2020E	2021E
P/E	27.8	50.3	24.8	16.6
P/OpCFPS	4.0	24.3	13.3	9.3
P/BV	2.2	3.9	3.4	2.8
Dividend Yield (%)	0.0%	0.0%	0.0%	0.0%
Free Cash Flow Yield (%)	nm	nm	2.5%	3.5%
EV (EURm)	29,6	66.7	65.0	62.7
EV/Sales	0.8	1.1	0.9	0.8
EV/EBITDA	7.8	13.9	9.0	6.5
EV/EBIT	15.6	27.7	14.5	9.8
EV/Capital Employed	3.1	4.3	4.0	3.5

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%	27.1%	85.6%	42.8%
Growth Net Profit	128.6%	6.7%	103.2%	49.0%

Source: Company data, UBI Banca estimates

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More specifically, UBI Banca has established, implements and maintains an effective conflicts of interests policy aimed at preventing and managing the potential conflicts of interest that could occur during the performance of the investment research services.

Insofar as the above mentioned organizational and administrative arrangements established by UBI Banca to prevent or manage potential conflicts of interests are not sufficient to ensure, with reasonable confidence, that risks of damage to the interests of the client will be prevented, UBI Banca engages to provide a clear disclosure of the specific conflicts of interests arising from the performance of investment research services, including a description of the sources of those conflicts and the steps undertaken to mitigate them, taking into account the nature of the client to whom the disclosure is being made.

For further information please see UBI Banca's website (www.ubibanca.com/equity-research - "Informativa sintetica sull'attività di ricerca") and (www.ubibanca.com/Mifid - "Policy sintetica conflitti di interessi"). More details about the conflicts of interests policy will be provided by UBI Banca upon request.

Disclosure of interests and conflicts of interests pursuant to Delegated Regulation 2016/958/EU

In relation to the Company the following interest/conflict of interest have been found:

- > UBI Banca acts as Corporate Broker for MailUp.
- > UBI Banca may have long or short positions with the issuer

On the basis of the checks carried out no other interest/conflict of interest arose.

Frequency of updates

UBI Banca aims to provide continuous coverage of the companies in conjunction with the timing of periodical accounting reports and any exceptional event that occurs affecting the issuer's sphere of operations and in any case at least twice per year. The companies for which UBI Banca acts as Sponsor or Specialist are covered in compliance with regulations of the market authorities.

For further information please refer to www.ubibanca.com/equity-research

Valuation methodology

UBI Banca's analysts value the Company subject to their recommendations using several methods among which the most prevalent are: the Discounted Cash Flow method (DCF), the Economic Value Added method (EVA), the Multiple comparison method, the SOP method and the NAV method.

The analysts use the above valuation methods alternatively and/or jointly at their discretion. The assigned target price may differ from their fair value, as it also takes into account overall market/sector conditions, corporate/market events, and corporate specifics (i.e. holding discounts) reasonably considered to be possible drivers of the company's share price performance. These factors may also be assessed using the methodologies indicated above.

For further information please refer to www.ubibanca.com/equity-research.

Ranking system

UBI Banca's analysts use an "absolute" rating system, not related to market performance. The explanation of the rating system is listed below:

Buy: if the target price is 15% higher than the market price, over the next 12 months.

Hold: if the target price is 15% below or 15% above the market price, over the next 12 months.

Sell: if the target price is 15% lower than the market price, over the next 12 months.

No Rating: the investment rating and target price have been suspended as there is not sufficient fundamental basis for determining an investment rating or target. The previous investment rating and target price, if any, are no longer in effect. Alternatively, No Rating is assigned in certain circumstances when UBI Banca is acting in any advisory capacity in a strategic transaction involving the Company.

Target price: the market price that the analyst believes that the share may reach within a one-year time horizon.

Market price: closing price on the day before the issue date of the report, appearing on the first page.

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Distribution of ratings

Equity rating dispersion in the past 12 months

Buy	Hold	Sell	No Rating
91.1%	7.1%	1.8%	0.0%

Proportion on issuers to which UBI Banca has supplied investment banking services relating to the last 12 months

Buy	Hold	Sell	No Rating
83.3%	100%	100%	

For further information regarding yearly and quarterly rating statistics and descriptions, please refer to www.ubibanca.com/equity-research.

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
18 September 2019	BUY	5.07	4.40