

MailUp Group

Sector: Marketing Technology



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Strong resiliency in Covid times

MailUp Group is a leading cloud-based marketing technology provider offering its solutions to several thousand customers worldwide, with a consolidated expertise on small to medium-sized enterprises.

1H20 results met challenging expectations

MailUp Group has recently released a good set of 1H20 financial figures, showing a strong business resiliency to recent global economy downturn. 1H20 Revenues increased at high single digit pace (€31.7mn, +8.1% like-for-like), fueled by: 1) steady growth in recurring fees linked to cloud software, 2) acquisition of new customers and, 3) foreign business expansion. EBITDA and Net Profit were almost flat YoY at €2.2mn and €0.4mn respectively due to the unstoppable effort on the marketing side and on the corporate structure one. Worthy to note, MailUp Group has kept generating positive free cash flow, with end of June Net Cash Position standing at €3.7mn vs. €2.4mn in Dec'19, and €3.0mn in Mar'20.

Outlook still uncertain, forecasts slightly upgraded

Although it remains quite impossible to determine the overall impact of covid-19, we still believe MailUp Group is some well-equipped to mitigate pandemic implications. As far as our FY20-21E estimates are concerned, we're leaving unchanged Revenues ones (15% CAGR up to 2022E), while including some recovery at EBITDA margin level (on avg. +26bps), fed by higher incidence of recurring business and a by different product mix. On the other side, higher D&A are driving a slightly softer EPS growth. More, a sound WC management would generate positive FCFs ahead, with Net Cash Position expected to increase up to €12mn in 2022E, possibly to be exploited for further M&A transactions.

Fair Value at €5.65 per share (from €5.50)

Taking into account revised 2020E-21E financial forecasts, **we update our fair value at €5.65 per share**, slightly above the €5.50 we set back as of July (post 2Q Gross Sales release).

At such fair value, MailUp Group would trade at 1.0x EV/Sales and 11.6x EV/EBITDA 2021E, still embedding an unjustified discount vs. UK and US peers, a discount that in our view should keep shrinking going forward as long as the equity story becomes more and more well known by international investors.

Fair Value (€) 5.65
Market Price (€) 5.57
Market Cap. (€m) 83.4

KEY FINANCIALS (€m)	2019A	2020E	2021E
TOTAL REVENUES	60.8	66.9	78.2
EBITDA	4.8	5.0	6.7
EBIT	1.8	1.6	3.0
NET PROFIT	1.2	1.0	2.1
NET PROFIT ADJ.	1.8	1.0	2.1
EQUITY	17.0	18.0	20.1
NET FINANCIAL POS.	2.4	4.1	7.6
EPS ADJ. (€)	0.12	0.07	0.14

Source: MailUp Group (historical figures), Value Track (2020E-21E estimates)

RATIOS & MULTIPLES	2019A	2020E	2021E
EBITDA MARGIN (%) (*)	8.1	7.6	8.6
EBIT MARGIN (%) (*)	3.1	2.4	3.9
NET DEBT / EBITDA (x)	nm	nm	nm
NET DEBT / EQUITY (%)	nm	nm	nm
EV/SALES (x)	1.1	1.2	1.0
EV/EBITDA (x)	13.0	15.8	11.4
EV/EBIT (x)	33.8	nm	25.2
P/E ADJ. (x)	36.1	nm	40.3

Source: MailUp Group (2019A), Value Track (2020E-21E estimates)
 (*) As % of Revenues from Sales

STOCK DATA

FAIR VALUE (€)	5.65
MARKET PRICE (€)	5.57
SHS. OUT. (m)	15.0
MARKET CAP. (€m)	83.4
FREE FLOAT (%)	36.6
AVG. -20D VOL. (#)	8,905
RIC / BBG	MAIL.MI / MAIL IM
52 WK RANGE	3.79-5.68

Source: Stock Market Data



Business Description

MailUp Group is a leading cloud based digital marketing technology hub currently offering its solutions to several thousand customers worldwide, with a consolidated expertise on small to medium-sized enterprises.

In greater detail, MailUp Group is involved in the provisioning of email marketing services, delivery of mobile text messages (for both transactional and marketing purposes), email editing support, Predictive Marketing CDP and professional services to business clients.

Key Financials

€mn (*)	2019A	2020E	2021E	2022E
Total Revenues	60.8	66.9	78.2	89.7
Chg. % YoY	51.2%	10.1%	16.8%	16.2%
EBITDA	4.8	5.0	6.7	8.0
EBITDA Margin	8.1%	7.6%	8.6%	8.9%
EBIT	1.8	1.6	3.0	4.1
EBIT Margin	3.1%	2.4%	3.9%	4.6%
Net Profit	1.2	1.0	2.1	2.8
Chg. % YoY	-7.3%	-11.2%	nm	34.1%
Adjusted Net Profit	1.8	1.0	2.1	2.8
Chg. % YoY	28.7%	-42.4%	nm	34.1%
Net Fin. Position	2.4	4.1	7.6	11.9
Net Fin. Pos. / EBITDA (x)	nm	nm	nm	nm
Capex	-3.1	-3.1	-3.3	-3.6
OpFCF b.t.	2.2	2.3	4.4	5.6
OpFCF b.t. as % of EBITDA	46.5%	45.0%	66.5%	70.6%

Source: MailUp SpA (historical figures), Value Track (estimates)

Investment case

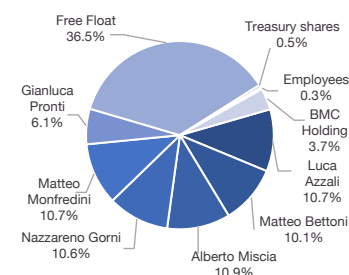
Strengths / Opportunities

- ◆ Full range of marketing technology services (SMS, email, email editor, CDP services, professional ones);
- ◆ Highly diversified customer base ranging from professional marketers to developers and to wholesalers both at a domestic and international level;
- ◆ Intense and effective R&D effort generating high-value opportunities.

Weaknesses / Risks

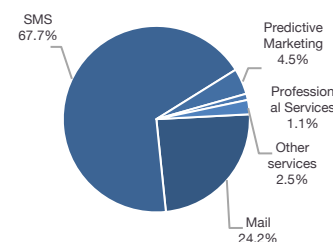
- ◆ Much smaller size if compared to Anglo-Saxons competitors;
- ◆ MarTech moves fast and MailUp group capability to keep up with the pace could be limited due to financial constraints.

Shareholders Structure



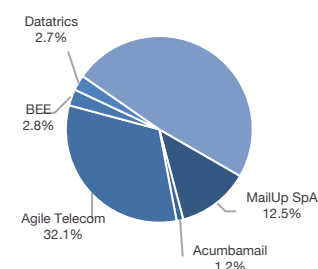
Source: MailUp Group

Sales breakdown by business line



Source: MailUp Group

Sales breakdown by legal entity



Source: MailUp Group

Stock multiples @ €5.65 Fair Value

	2020E	2021E
EV / SALES (x)	1.2	1.0
EV / EBITDA (x)	16.0	11.6
EV / EBIT (x)	nm	25.6
EV / CAP.EMP. (x)	5.8	6.2
OpFCF Yield (%)	2.8	5.8
P / E (x)	nm	40.9
P / BV (x)	4.7	4.2
Div. Yield. (%)	0.0	0.0

Source: Value Track

1H20 Interim results met “our” expectations

MailUp Group has released a good set of 1H20 financial figures despite the obvious negative impact of the current global economy downturn linked to Covid-19 outbreak.

Overall, interim results came in almost in line with our FY20E expectations, with key messages summarized as follows:

- ◆ High single-digit revenue increase;
- ◆ Profitability almost flat YoY burdened by higher investments in marketing and corporate structure;
- ◆ Sound operating cash flow generation.

MailUp Group: 1H20 Key Financial Items

(€mn)	1H19	1H20	Change YoY (%)
Total Revenues	29.3	31.7	8.1%
Gross Profit	8.5	9.8	14.5%
EBITDA	2.1	2.2	1.6%
Reported Net Profit	0.4	0.4	-1.4%
Net Fin. Position [Cash (+)]	4.4	3.7	--
Net Fin. Position [Cash (+)] ex IFRS16	6.8	7.9	--

Source: MailUp Group, Value Track analysis

High single digit revenue increase

Group Revenue came in at €31.7mn in 1H20, increasing at high-single digit pace (+8.1% YoY, i.e. €29.3mn in 1H19), thanks to a generalized turnover expansion in almost all business units, as also unveiled by already released quarterly Gross Sales.

Thus, notwithstanding the material and inevitable impact of Covid-19 related crisis, the Group is still showing its fast-growing profile, with organic business growth featured by:

- ◆ **Steady increase in recurring revenues linked to the cloud software**, typical of a SaaS business model;
- ◆ **Acquisition of new customers**, among which we highlight Tier 1 brands like *Spotify*, *Airbus*, *PTC*, *Biogen*;
- ◆ **Stable expansion in its geographical footprint**, with international revenues at €17.7mn (+32% YoY), with incidence on total revenue at 56% (46% in 1H19).

Focusing on business units, **a sound revenues increase was delivered by BEE and Datatrics**, growing at high double-digit pace (+71% and +68% YoY respectively), despite a fall to flattish trend experienced by BEEPlugin’s higher-added value, and some slowdown in market demand suffered by Datatrics, with some customers – particularly in the travel and hospitality sectors – who reduced or postponed their investments.

Moving to more mature business units, *i)* MailUp has recorded a remarkable +10% YoY growth, fuelled by recurring business, *ii)* Agile Telecom is substantially flat YoY (+1%), affected by a sizeable slowdown from retail SMS, almost offset by the increase in transactional messages, and lastly *iii)* Acumbamail who posted a sound +30% YoY revenue growth, increasing its market presence in Latam.

MailUp Group: Revenue breakdown by business unit (*)

(€mn)	1H19	as (%)	1H20	as (%)	Δ YoY (%)
MailUp Spa	7.3	25.0%	8.1	25.4%	10.2%
Agile Telecom	20.5	69.9%	20.7	65.3%	1.0%
Acumbamail	0.6	1.9%	0.7	2.4%	30.5%
BEE	1.1	3.7%	1.8	5.8%	71.2%
Datatics	1.0	3.5%	1.7	5.4%	67.6%
Holding	1.5	5.2%	2.6	8.2%	68.3%
Consolidation Adj.	-3.4	-11.6%	-3.9	-12.4%	16.1%
Group Revenue	29.3	100.0%	31.7	100.0%	8.1%

Source: MailUp Group, Value Track analysis (*) 1H19 figures have been restated, following the new company accounting criteria, based on the identification of Revenue (gross of intercompany figures) and holding cost related to single business unit

Focusing on Revenue breakdown by business segment, the highest growth rates were recorded in the predictive marketing field (+67% YoY) and in the email channel (+21% YoY).

On the other side, professional services which also include the on-demand consulting for customisation and training on the Group platforms, recorded a slight deceleration (-3.4% YoY).

MailUp Group: 1H20 Revenue breakdown by business segment

(€mn)	1H19	as (%)	1H20	as (%)	Δ YoY (%)
Mail	6.3	21.6%	7.7	24.2%	21.1%
SMS	20.8	71.1%	21.5	67.7%	3.0%
Predictive Marketing	0.9	2.9%	1.4	4.5%	67.1%
Professional Services	0.4	1.2%	0.3	1.1%	-3.4%
Others	0.9	3.2%	0.8	2.5%	-15.5%
Group Revenue	29.3	100.0%	31.7	100.0%	8.1%

Source: MailUp Group, Value Track analysis

Profitability almost flat YoY, hit by higher investments at corporate level

Group Gross Profit was around €9.8mn in the first half of the year, up +14.5% YoY with Gross Margin at 30.9% from 29.1% as of 1H19, as result of the product mix towards value-added solutions.

Group EBITDA was around €2.2mn in the first half of the year, almost flat YoY (+1.6%) with EBITDA margin down to 6.9% from 7.3% as of 1H19, mostly due to the continuous strengthening of the corporate structure with several new hires across business units (roughly 40 vs Dec'19), and higher investment in sales & marketing and R&D activities, aimed at fostering medium term growth.

Below the EBITDA, higher D&A charges due to IFRS16 effect (€217K), and to R&D costs capitalization, led Operating Profit at €0.5mn (-34.7% YoY).

At the bottom line, basically zero net financial charges and a lower tax rate translate in a Group Net Profit of €0.4mn, in line with 1H19 figure (-1.4% YoY).

MailUp Group: 1H20 from EBITDA to Net Profit

(€mn)	1H19	1H20	Change YoY
Total Revenue	29.3	31.7	8.1%
COGS	-20.8	-21.9	
Gross Profit	8.5	9.8	14.5%
Sales & Marketing	-2.1	-3.0	
R&D	-0.8	-1.2	
General and Administrative	-3.5	-3.4	
EBITDA	2.1	2.2	1.6%
D&A	-1.3	-1.6	
EBIT	0.8	0.5	-34.8%
Interest expenses / income	0.0	0.0	
EBT	0.8	0.5	-37.9%
Taxes	-0.4	-0.1	
Net Profit	0.4	0.4	-1.5%

Source: MailUp Group, Value Track analysis

Sound operating cash flow generation

As far as the Balance Sheet / Cash Flow Statement are concerned, we highlight:

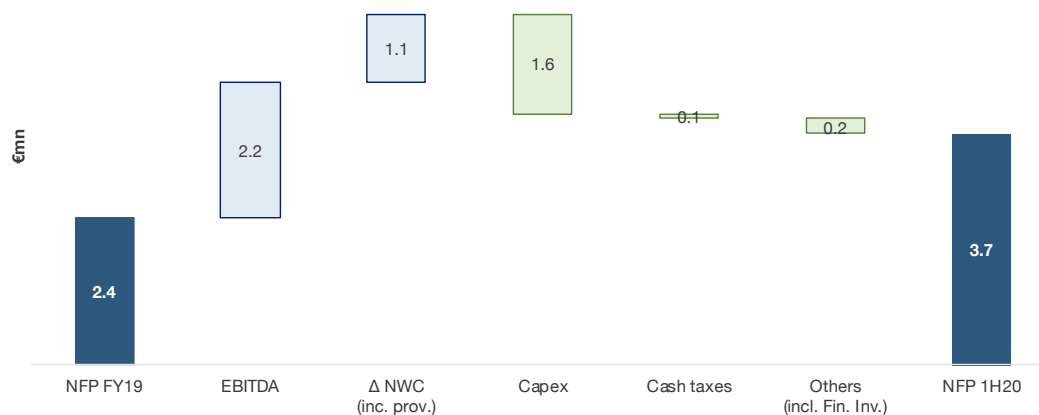
- ◆ **Net Fixed Assets at €27.8mn**, substantially in line with Dec'19;
- ◆ **Net Working Capital at -€11.8mn**, i.e. €1.1mn lower than Dec'19, despite the slowdown in the global economy, and positively benefitting from SaaS business model;
- ◆ **Capex at €1.6mn**, o/w ca. €1mn investment in R&D costs, likely to generate positive economic benefits in the medium run;
- ◆ **Net Cash position up to €3.7mn** (€7.9mn net of IFRS16 effect), compared to €2.4mn as of the end of 2019FY, likely to be exploited to finalize further M&A transactions.

This means that the **Group has kept generating positive free cash flow in 1H20** (+€1.3mn), still confirming its sound business robustness, able to generate an OpFCF b.t of €1.7mn, i.e. ca. 77% of EBITDA.

MailUp Group: 1H19 -1H20 Balance Sheet

€ mn	1H19	2H19	1H20
Net Fixed Assets	24.4	27.6	27.8
Net Working Capital	-10.3	-10.7	-11.8
Severance pay and funds	2.1	2.3	2.3
Total Capital Employed	12.1	14.6	13.7
Group Net Equity	16.4	17.0	17.3
Net Fin. Position [Net debt (-) / Cash (+)]	4.4	2.4	3.7
Net Fin. Position ex IFRS16 effect	6.8	7.0	7.9

Source: MailUp Group, Value Track Analysis

MailUp Group: Net Financial Position bridge (FY19, 1H20)


Source: MailUp Group

Estimates Update

We are fine-tuning our 2021E-20E estimates published back as of July 24th, and extending our forecasts to 2022E, basically driven by:

- ◆ **Some recovery in marginality at EBITDA level**, mainly thanks to the increasing incidence of recurring revenue;
- ◆ **Higher D&A charges**, incorporating the impact of higher investments in development Capex (i.e. R&D activities);
- ◆ **A lower tax rate**, expected at 32% (vs. 34% previously expected);
- ◆ **A better NWC management**, likely to generate positive free cash flows going forward.

MailUp Group: New vs. Old estimates

€mn	2020E			2021E		
	Old	New	Δ(%)	Old	New	Δ(%)
Net Revenues	66.2	66.2	0.0%	77.2	77.2	0.0%
EBITDA	4.8	5.0	4.1%	6.5	6.7	0.0%
EBITDA Margin (%)	7.3%	7.6%	+30bps	8.4%	8.6%	+22bps
EBIT	1.9	1.6	-17.7%	3.5	3.0	-13.5%
EBIT Margin (%)	2.9%	2.4%	-51bps	4.5%	3.9%	-61bps
Net Profit	1.3	1.0	-18.5%	2.3	2.1	-10.8%
Capex	-2.2	-3.3	nm	-2.4	-3.6	nm
OpFCF a.t.	1.2	1.8	42.3%	3.7	3.5	-7.8%
Net Financial Position	3.6	4.1	nm	7.4	7.6	nm

Source: Value Track Analysis

That said, the impact on our 2020E-22E financial forecasts can be summarized as follows:

- ◆ **Revenues** – estimates pretty unchanged, with total turnover likely to increase at double-digit CAGR by 2022 (+14.8%), moving from €59.3mn as of 2019A to ca. €90mn at the end of our forecast period. Datatrics and BEE expected to experience the highest CAGR₁₉₋₂₂ (+57% and +52%), followed by Acumbamail (+26% CAGR). More mature businesses, MailUp Spa and Agile Telecom, seen to increase at high single digit in the projection period, +8% and +6% respectively.

MailUp Group: 2019A-22E Revenue from Sales forecasts

(€mn)	2019A	2020E	2021E	2022E	CAGR ₁₉₋₂₂
MailUp Spa	15.1	16.2	17.9	19.0	7.9%
Agile Telecom	41.5	41.6	46.5	50.0	6.4%
Acumbamail	1.2	1.7	2.0	2.4	25.6%
BEE	2.6	4.0	6.1	9.1	52.0%
Datatrics	2.4	3.0	4.7	9.2	56.8%
Consolidation Adj.	-3.5	--	--	--	nm
Net Revenue	59.3	66.2	77.2	89.7	14.8%

Source: Value Track analysis

- ◆ **EBITDA** – estimates revised upwards at €5.0mn and €6.7mn for 2020E-21E respectively, to point out a slightly higher Gross Margin, combined with corporate strategy to capitalize a portion of R&D costs, rather than account them within Opex;
- ◆ **EBIT** – expected to be negatively impacted by higher D&A charges, due to higher amortization of RoU (IFRS16), as well as the change in **Capex** estimates, at €3.3 and €3.6mn in 2020E-21E respectively (+€1.2mn on average in the forecast period).

MailUp: P&L figures 2019A-22E

€mn	2019A	2020E	2021E	2022E
Net Revenue	59.3	66.2	77.2	89.7
Other Revenue	1.5	0.7	1.0	1.0
Total Revenues	60.8	66.9	78.2	90.7
COGS	-43.0	-46.4	-54.2	-63.0
Labour costs	-13.0	-15.5	-17.4	-19.7
EBITDA	4.8	5.0	6.7	8.0
EBITDA Margin (%)	8.1%	7.6%	8.6%	8.9%
Depreciation & Amortization	-2.9	-3.5	-3.7	-3.9
EBIT	1.8	1.6	3.0	4.1
Net Fin. Income (charges)	0.0	-0.1	0.0	0.0
Pre-tax Profit	1.8	1.5	3.0	4.1
Taxes	-0.7	-0.5	-1.0	-1.3
Reported Net Profit	1.2	1.0	2.1	2.8

Source: MailUp (historical figures), Value Track (forecasts)

- ◆ **Operating Cash Flow** – expected to come in at €1.3mn in 2020E, slightly above our previous expectation, with lower earnings contribution entirely offset by favourable working capital. A further increase in OpFCF is expected in 2021E-22E, with OpFCF at €3.5mn and €4.3, on average at ca. 70% of EBITDA;
- ◆ **Net Cash Position** – expected at €4.1mn in 2020E, some €0.5mn than previously expected and to progressively increase up to €11.9mn at the end of 2022, likely to be exploited for M&A deals.

MailUp: Balance Sheet figures 2019A-22E

€mn	2019A	2020E	2021E	2022E
Net Working Capital	-10.7	-10.9	-11.8	-12.6
as (%) of Sales	-18.0%	-16.4%	-15.3%	-14.1%
Net Fixed Assets	27.6	27.3	26.9	26.6
Provisions	2.3	2.5	2.7	3.1
Total Capital Employed	14.6	13.9	12.5	11.0
Group Net Equity	17.0	18.0	20.1	22.9
Net Fin. Position [i.e. Net Debt (-) Cash (+)]	2.4	4.1	7.6	11.9

Source: MailUp (historical figures), Value Track (forecasts)

MailUp: Cash Flow figures 2019A-22E

€mn	2019A	2020E	2021E	2022E
EBITDA	4.8	5.0	6.7	8.0
Change in NWC	0.0	0.2	0.9	0.9
Capex	-3.1	-3.1	-3.3	-3.6
Change in Provisions	0.5	0.2	0.2	0.4
Cash Taxes	-1.0	-0.5	-1.0	-1.3
OpFCF a.t.	1.3	1.8	3.5	4.3
Rou Assets (IFRS 16)	-4.6	0.0	0.0	0.0
Other (Incl. Fin. Inv.)	-0.7	0.0	0.0	0.0
Net Financial Charges	0.0	-0.1	0.0	0.0
Net Cash generated	-4.0	1.7	3.5	4.3

Source: MailUp (historical figures), Value Track (forecasts)

Valuation Update

Taking into account revised 2020E-21E financial forecasts, **we update our fair value at €5.65 per share**, slightly above the €5.50 we set back as of July (post 2Q Gross Sales release).

At such fair value, MailUp Group would trade at 1.0x EV/Sales and 11.6x EV/EBITDA 2021E, still embedding an unjustified discount vs. UK and US peers, a discount that in our view should keep shrinking going forward given not only the fast and healthy growing path put in place so far by the Group, but also thanks to its effort on making the equity story more and more well known by international investors.

Our €5.65 shares valuation is the result of a Sum-of-the-Parts model, based on the following key updated assumptions:

- ◆ Upward revision of MailUp business unit valuation and downward revision of Agile Telecom one driven by unchanged “fair” multiples, by the way still below DotDigital and ImiMobile trading multiples, (by far the most comparable firms);
- ◆ Unchanged valuation for Acumbamail, based on the same an EV/Sales and EV/EBITDA fair multiples used for MailUp business unit;
- ◆ Unchanged valuation for Bee, coming from our user-based valuation methodology;
- ◆ A 10% downward revision to our user based Datatrics valuation, to point out the higher uncertainty arising in the acquisition process of new customers, particularly in the hospitality and travel industry, with many customers likely to suspend, defer or postpone partial negotiations of their own investments. We would also recall how KLM is from the very beginning a key client for Datatrics.

MailUp Group: Sum-of-the-Parts valuation

Company	Stake (%)	EV (€mn)	EV (%)	Valuation Method
MailUp SpA	100%	34.4	35.1%	1.7x EV/Sales '20 – 12.0x EV/EBITDA '20
Agile Telecom	100%	32.0	32.6%	1.1x EV/Sales '20 - 10.0x EV/EBITDA '20
Acumbamail	100%	3.4	3.4%	1.7x EV/Sales '20 - 12.0x EV/EBITDA '20
BEE	100%	16.5	16.8%	User-based Valuation
Datatrics	100%	11.8	12.1%	User-based Valuation
Gross Asset Value		98.1	100.0%	
Group Net Cash Position 2020PF (*)		3.3		
€1.0mn Unallocat. holding costs @ 10.4% WACC		9.6		
Net Asset Value		91.8		
Number of shares fully diluted		16.2		
Fair equity value per share		5.65		

Source: Value Track Analysis (*) Pro-Forma to take into account the entire cash out for Datatrics

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