

## MailUp (MAIL-IT)

The future of texting. We initiate with  
**BUY**

**Buy**

Last (€)	2.6
Valuation Range (€)	3.2-3.4
Market Cap.(€m)	36
Av. Daily Vol.(m sh)	0
Free Float	32%
YTD	47%

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- We initiate coverage of MailUp with a BUY rating and 3.2 – 3.4 Valuation Range. MAIL is a young Italian leading marketing technology group, focused on data-driven marketing automation. The Co. offers: 1) a complete email delivery solution and 2) mobile messaging activities. MailUp is active in 3 continents, with more than 16,000 customers worldwide and with 400mn people interacting with their products. Regarding its Killer Apps, MAIL has developed a cloud computing platform, used by SMEs and large corporations, for email and SMS marketing and communication campaigns. MAIL has also promoted advanced automation, targeting and tracking tools.
- The Co. is among the top three players in Italy for messaging technology and one of the very few B2B players that targets both marketers and developers. After establishing itself as a leading player in the domestic market, MailUp has made 3 acquisitions (Italy, Spain, Denmark) in the past three years, diversifying its revenue base geographically. International revenues now account for 30% of total. MAIN FINANCIAL DATA:
  - MailUp revenues increased from >€6m in FY13 to >€21m in FY16 (both organically and through acquisitions), +52% CAGR in the 3 years
  - Circa 40% of revenues comes from subscription-based services to corporates
  - FY16 EBITDA of 2.4m (3x growth vs. FY15), FY16 Net Income €0.8m
  - MailUp is cash positive (€1.9m 1H17 NFP). After the recent €6m capital increase, we expect FY17E Net Cash, that will be used to finance acquisitions, to be in the range of €8m
  - We expect MailUp to grow by 17% annually on revenues. EBITDA margin should improve at 17% by 2022E. Net cash position should reach €23m by 2022E assuming no acquisitions
  - MAIL's goals: to expand its solutions through acquisitions with a focus on marketing automation and to enlarge geographically its business
- Stock price is up 47%YTD and is now trading at 34x and 21x '18-'19 PE; '17 FCF yield is 2% based on our estimates. We initiate coverage with a BUY rating and a DCF-based valuation range of € 3.2-3.4 per share. MailUp trades at a slight discount compared to marketing technology companies on EV/Sales and EV/Ebitda multiples.

*Fidentiis Equities S.V., S.A. has entered into an agreement with the Company relating to the provision of investment services which has been in effect over the previous 12 months or has given rise during the same period to the payment of compensation or to the promise to get a compensation paid from the Company*

	Sales (€m)	EBITDA (€m)	vs. Cons	Net Profit (€m)	EPS(old) (€)	EPS(new) (€)	vs.Cons	P/E(x)	EV/EBITDA (x)	DPS(€)	DIV Yield
2016	22	2	n.a.	1	n.a.	0.06	n.a.	n.a.	n.a.	0.0	0.0%
2017 E	25	3	n.a.	1	n.a.	0.07	n.a.	34.4	15.2	0.0	0.0%
2018 E	30	4	n.a.	2	n.a.	0.12	n.a.	20.7	11.2	0.0	0.0%
2019 E	35	5	n.a.	2	n.a.	0.16	n.a.	16.0	9.4	0.0	0.0%
2020 E	41	6	n.a.	3	n.a.	0.10	n.a.	25.7	n.a.	0.0	0.0%

**PLEASE: HELP US TO PROTECT OUR RESEARCH AND DO NOT FORWARD THIS REPORT OUTSIDE YOUR FIRM**

*This publication has been reviewed and approved by the "Committee for the Independence of the Publications of the Research Department".*



# 1. About MailUp

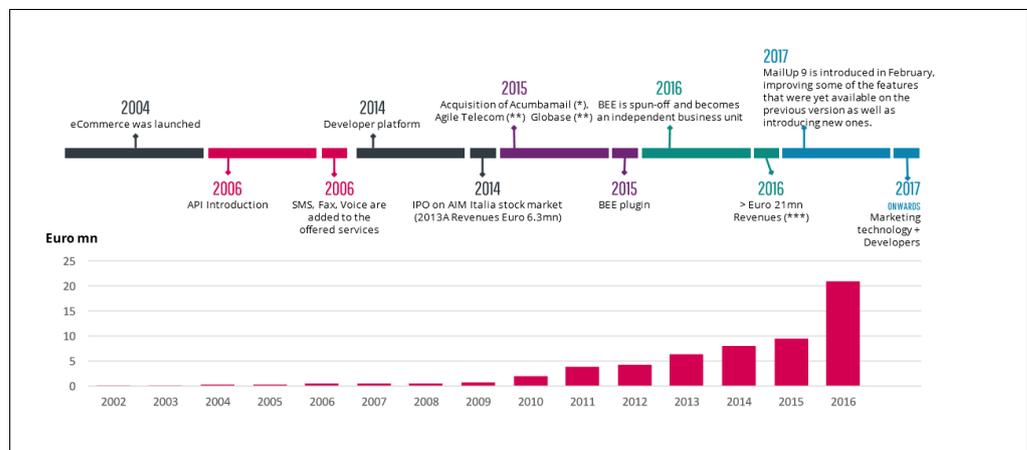
- MailUp is a young Italian leader in the marketing technology sector, headquartered in Cremona and Milan. The Co. is focused on data-driven marketing automation and offers: 1) a complete email delivery solution and 2) SMS messaging activities.
- The Co. is active in Europe, America and Asia (in particular in Argentina, Denmark, Italy, Spain, US and Japan), with more than 16,000 customers worldwide and with 400mn people interacting with their product. MAIL has developed a cloud computing platform used by SMEs and large corporation for email and SMS marketing and communication campaigns and also advanced automation, targeting and tracking tools.
- The Co. is among the top three players in Italy for messaging technology and one of the very few B2B players that targets both marketers and developers. Stock price is up 47% YTD and is now trading at 34x and 21x '18-'19 PE; '17 FCF yield is 2% based on our estimates. We initiate coverage with a BUY and a DCF based valuation range of € 3.2-3.4 per share.

MailUp is **one of the main international players in Europe in the marketing technology sector**. MAIL has increased its client base from 6,300 to 16,000 in only 3 years and we expect the Co. to grow organically by 17% revenues CAGR'16-'22E by expanding its market share in Europe, Asia and USA.

The Co. offers a wide product-range, from entry-level to more customized products. MailUp's core services are email marketing and mobile messaging activities; other services are email editing tools and consulting services.

MailUp went public in 2014 with the IPO on the AIM Italian Stock Exchange. The structure of MailUp includes the spin-off MailUp Inc., MailUp Spa, and the 2015 acquired companies Globase, Acumbamail and Agile Telecom active in digital and email marketing, editing tools, mobile messaging, Inbound - outbound SMS management and MNP database access (see Appendix).

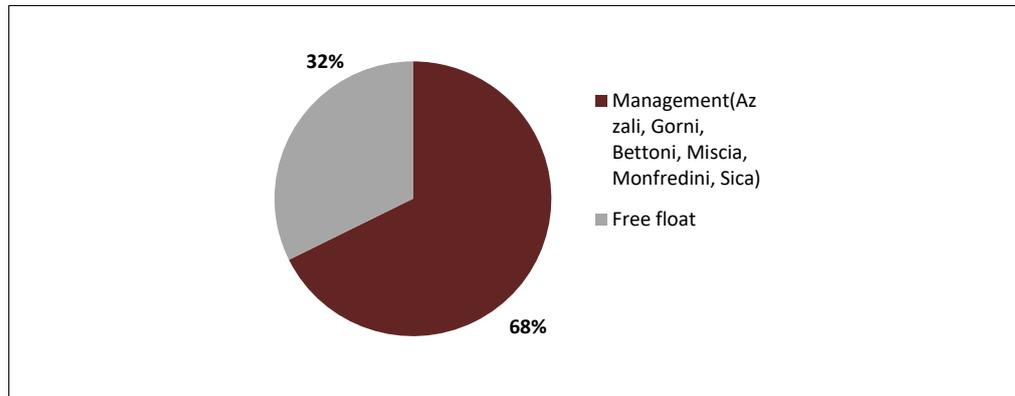
Figure 1: Company evolution



Source: Company



Figure 2: MailUp – Shareholders’ structure after capital increase



Source: Company

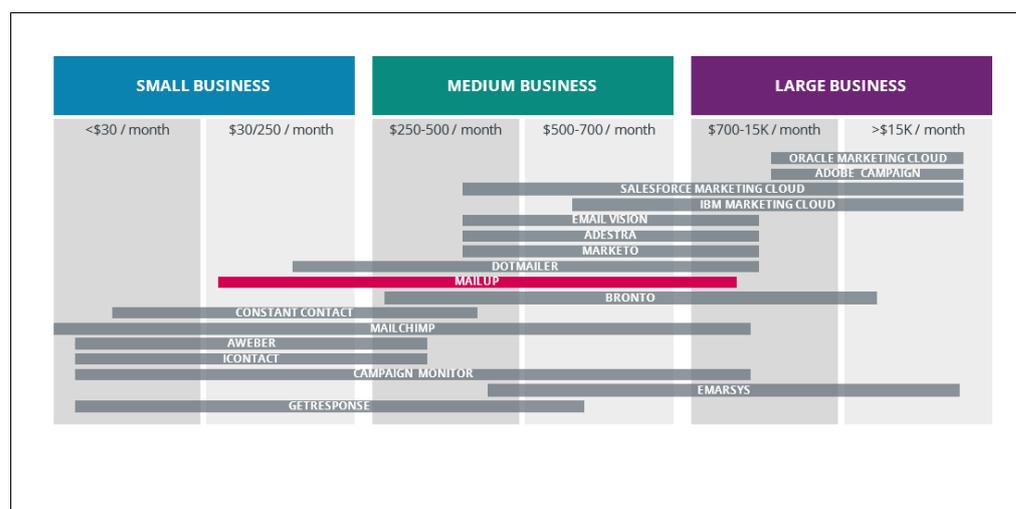
The Co. has a product design unit based in Silicon Valley to stay closer and benefit from the tech sector evolution trends.

After establishing itself as a leading player in the domestic market, MailUp has made 3 successful acquisitions (Italy, Spain, Denmark) in the past three years, diversifying its revenue base geographically. International revenues now account for about 30% of total.

Last year **MailUp has launched “Bee Free” in Silicon Valley**, the latest evolution of the company’s core product. Bee Free is growing at 10% m/m pace with >1.2k paying international clients and >1m visitors over the last year.

More than 14b messages are sent each year through their platforms.

Figure 3: MailUp – Market Landscape



Source: Company

## 2. Financials

- **MailUp revenues increased from >6m in FY13 to >€21m in FY16 (+129% FY16 vs. FY15) both organically and through acquisitions**
- **Circa 40% of revenues come from subscription-based services to corporates**
- **FY16 EBITDA of 2.4m (3x growth vs. FY15), FY16 Net Income €0.8m (+908% FY16 vs 2015)**
- **MailUp is cash positive (€2m 1H17NFP)**

We expect MailUp to increase its FY17 sales by 17%, FY17 EBITDA by 21%. We forecast MailUp to generate €1.2m '17 FCF, before dividend distribution. No Consensus is available.

MailUp has:

- the majority of its revenues recurring and paid in advance (as it sells mainly software subscription and credits to send messages through the group tech platform)
- **No insolvencies and it self-finances its growth through its own cash flow**
- **Debt is used only to finance M&A**
- **No traditional commercial network**

**Figure 4: MailUp - Income Statement**

	2016	2017E	2018E	2019E	2020E
Total Sales	<b>21.6</b>	<b>25.3</b>	<b>29.6</b>	<b>34.7</b>	<b>40.6</b>
Sales from Mail	8.5	10.0	11.6	13.6	15.9
Sales from SMS	11.3	13.2	15.5	18.1	21.0
Sales from BEE	0.2	0.2	0.2	0.2	0.3
Sales from Professional services	1.1	1.3	1.5	1.9	2.2
Other Rev.	0.6	0.6	0.8	0.9	1.0
Total Costs	<b>-19.2</b>	<b>-22.4</b>	<b>-25.5</b>	<b>-29.5</b>	<b>-34.2</b>
EBITDA	<b>2.4</b>	<b>2.9</b>	<b>4.1</b>	<b>5.1</b>	<b>6.4</b>
EBITDA Margin (%)	11.2%	11.6%	14.0%	14.8%	15.7%
D&A	1.2	1.5	1.7	2.0	2.4
EBIT	<b>1.2</b>	<b>1.4</b>	<b>2.4</b>	<b>3.1</b>	<b>4.0</b>
EBIT Margin (%)	5.5%	5.7%	8.1%	8.9%	9.8%
Net financial charges	-0.1	0.0	0.0	0.0	0.0
Associates & Others	0.0	0.0	0.0	0.0	0.0
Pre-tax income	<b>1.1</b>	<b>1.4</b>	<b>2.4</b>	<b>3.1</b>	<b>4.0</b>
Taxes	-0.3	-0.4	-0.6	-0.8	-1.1
tax rate	-28%	-27%	-27%	-27%	-27%
Minorities	0.0	0.0	0.0	0.0	0.0
Group Net income	<b>0.8</b>	<b>1.1</b>	<b>1.7</b>	<b>2.3</b>	<b>2.9</b>
Net Margin (%)	4%	4%	6%	7%	7%

Source: Fidentis

**Figure 5: MailUp - Balance Sheet**

	2016	2017E	2018E	2019E	2020E
Fixed assets	15.0	15.5	16.3	17.0	17.6
Net working capital	-7.9	7.7	10.6	14.1	18.9
Provisions & Pension Funds	-1.0	-1.0	-1.0	-1.0	-1.0
Invested capital	<b>6.1</b>	<b>22.2</b>	<b>25.9</b>	<b>30.1</b>	<b>35.5</b>
Shareholders' equity	7.0	14.0	15.8	18.0	20.9
Minorities	0.1	0.1	0.1	0.1	0.1
NFP	-1.0	8.1	10.0	12.0	14.5
Invested capital	<b>6.1</b>	<b>22.2</b>	<b>25.8</b>	<b>30.1</b>	<b>35.5</b>

Source: Fidentis

**Figure 6: MailUp - Cash Flow Statement**

	2016	2017E	2018E	2019E	2020E
EBITDA	2.4	2.9	4.1	5.1	6.4
Cash taxes	-0.3	-0.4	-0.6	-0.8	-1.1
Other	0	0	0	0	0
WC change	-0.4	-15.7	-2.9	-3.5	-4.8
Operating cash flow	1.7	-13.1	0.6	0.8	0.5
net financial charges (cash)	-0.1	0.0	0.0	0.0	0.0
Capex	-2.2	-2.0	-2.5	-2.8	-3.0
Free cash flow	-0.6	-15.1	-1.9	-2.0	-2.5
Acquisitions / Disposals	0.0	2.0	0.0	0.0	0.0
Dividends / Net equity	0.0	6.1	0.0	0.0	0.0
Change in NFP	0.6	7.1	1.9	2.0	2.5
Start NFP		1.0	8.1	10.0	12.0
End NFP	1.0	8.1	10.0	12.0	14.5

Source: Fidentis

### 3. Valuation

We use a DCF valuation to set our fair value for MailUp. We reckon that a DCF approach can be geared too much on future achievements and too little on current fundamentals. However, we believe that such approach can better reflect MailUp's expansion stage and the management's track record at delivering continued profitable earnings growth, well above the current marketing technology sector average.

**MailUp trades at a slight discount compared to marketing technology companies on EV/Sales and EV/EBITDA multiples.** However, we believe that such valuation does not take into account the company's superior growth projections and profitability, as well as the rather limited competition in this segment.

**In the next 5 years we expect the company to have a double-digit revenues growth rate 17% Revenues CAGR '16A- '21E and:**

- EBITDA margin at 17% in FY2022E
- EBIT Margin at 12% in FY2022E
- Net Cash Position at €23m in FY2022E

**On July 26<sup>th</sup> MailUp, together with Fidentiis Equities, launched a capital increase worth €6m, which is expected to be used for external expansion on marketing automation and also enlarging the business geographically.**

**Figure 7: MailUp - Assumptions**

Risk-free rate	4.00%
Cost of debt	5.00%
Equity premium	5.00%
Beta	1.00
Tax rate	27.0%
Leverage	33.0%
WACC	10.0%
WC change as % of sales	1.50%
long-term g	2.00%

Source: Fidentiis

**Figure 8: MailUp - DCF Valuation**

5-year DCF	8.0
Terminal value	38.3
EV	46.2
net debt	1.0
Minorities	
Equity value	47.2
No. of shares	14.1
Treasury shares	0.0
<b>Fair value per share</b>	<b>3.3</b>
Current price	2.6
Upside / (Downside)	30.2%

Source: Fidentiis



## Peers

Figure 9: MailUp – Peers group

Company / Index	1M Chg. (%)	YTD Chg. (%)	EV/Sales (x)		EV/EBITDA (x)	
			2017E	2018E	2017E	2018E
HUBSPOT	-5,1	46,5	6,2	4,9	n.m.	n.m.
DOTDIGITAL	-4,7	24,4	6,0	4,6	19,7	15,6
SALESFORCE	3,8	37,5	6,2	5,0	28,6	22,4
SHARPSRING	6,0	-29,8	2,0	1,7	n.m.	n.m.
LINK MOBILITY	-10,4	-18,0	1,2	0,8	11,1	6,1
TWILIO	-3,3	0,3	6,5	5,2	n.m.	n.m.
AIM IT INDEX	1,0	22,6	n.a.	n.a.	n.a.	n.a.
NASDAQ INDEX	2,2	14,0	n.a.	n.a.	n.a.	n.a.
CLOUD INDEX BESS.	-1,5	39,0	5,4	n.a.	n.a.	n.a.
<b>Average Peer Companies</b>	<b>-2,3</b>	<b>10,1</b>	<b>4,7</b>	<b>3,7</b>	<b>19,8</b>	<b>14,7</b>
<b>Median Peer Companies</b>	<b>-4,0</b>	<b>12,4</b>	<b>6,1</b>	<b>4,8</b>	<b>19,7</b>	<b>15,6</b>
<b>MailUp Group</b>	<b>0,7</b>	<b>42,3</b>	<b>1,1</b>	<b>0,8</b>	<b>9,7</b>	<b>6,2</b>
<i>Discount % vs. avg.</i>			-77	-77	-51	-58
<i>Discount % vs. med.</i>			-83	-82	-51	-60

29 AUGUST 2017

Source: Company



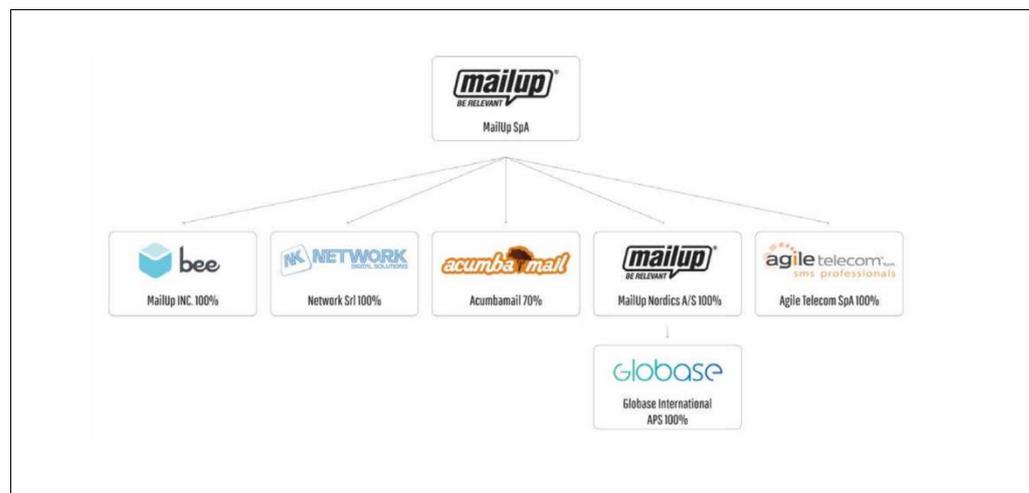
## 4. Appendix

### Other group companies

MailUp has added to its business the product BEE and has incorporated:

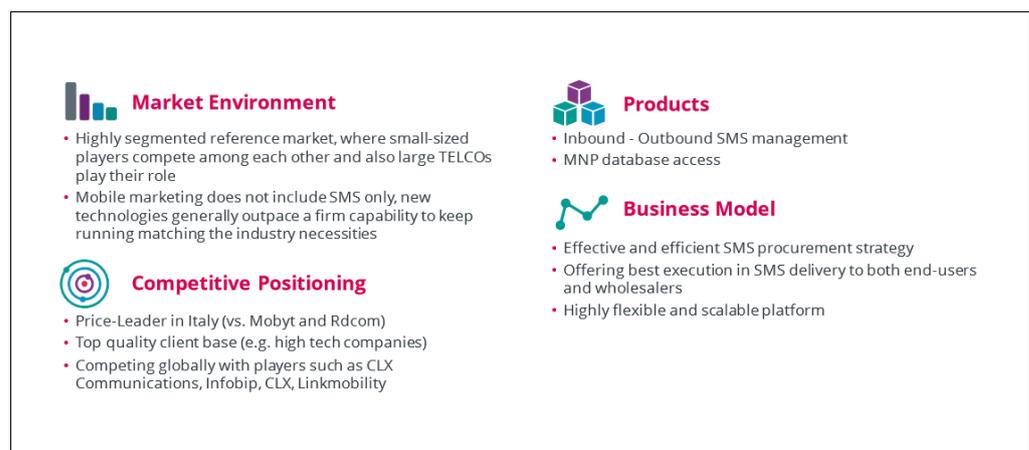
- **Acumbamail**
- **Globase**
- **Agile**

Figure 10: MailUp organogram



Source: Company

Figure 11: Agile Telecom – the messaging factory

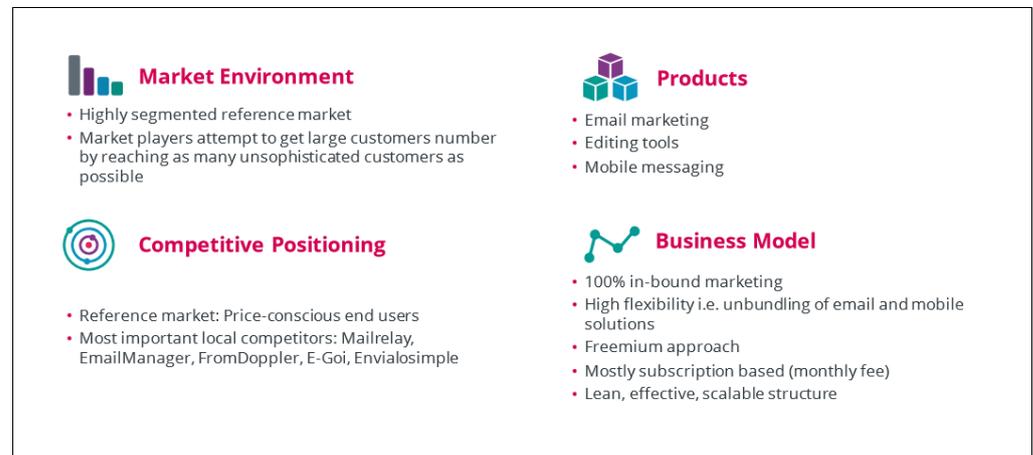


Source: Company

Agile, specialized in A2P messaging, records a 70% revenues increase in 1H17

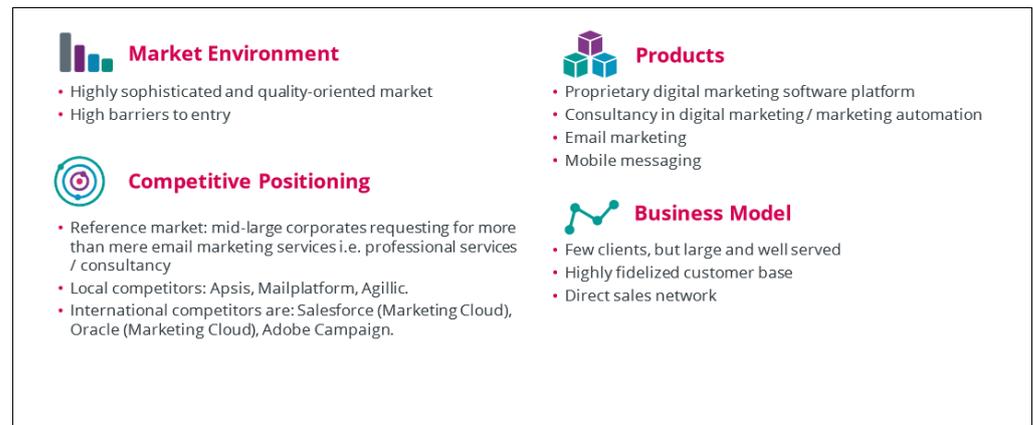


Figure 12: Acumbamail – the freemium player



Source: Company

Figure 13: Globase – the professional services competence centre



Source: Company



Figure 14: Bee – The email editor specialist



Source: Company

**More details:**

- **Investment:** €750k
- **MRR:** \$50k monthly recurring revenue (*August '17*)
- **Steady growth:** 10% monthly

Figure 15: MailUp – Specific growth strategies



Source: Company

**MAIL-IT: Summarised P&L Account and key ratios**

€m	2016	2017E	2018E	2019E	2020E	2021E
<b>Sales</b>	<b>21.6</b>	<b>25.3</b>	<b>29.6</b>	<b>34.7</b>	<b>40.6</b>	<b>47.4</b>
<b>EBITDA</b>	<b>2.4</b>	<b>2.9</b>	<b>4.1</b>	<b>5.1</b>	<b>6.4</b>	<b>7.9</b>
Depreciation & Amort.	1.2	1.5	1.7	2.0	2.4	2.8
<b>EBIT</b>	<b>1.2</b>	<b>1.4</b>	<b>2.4</b>	<b>3.1</b>	<b>4.0</b>	<b>5.1</b>
Net Interest Cost	-0.1	0.0	0.0	0.0	0.0	0.0
Associates	0.0	0.0	0.0	0.0	0.0	0.0
Impairment & Other	0.0	0.0	0.0	0.0	0.0	0.0
<b>PBT</b>	<b>1.1</b>	<b>1.4</b>	<b>2.4</b>	<b>3.1</b>	<b>4.0</b>	<b>5.1</b>
Taxes	-0.3	-0.4	-0.6	-0.8	-1.1	-1.4
Discontinued operations	0.0	0.0	0.0	0.0	0.0	0.0
Minorities	0.0	0.0	0.0	0.0	0.0	0.0
<b>Net Profit</b>	<b>0.8</b>	<b>1.1</b>	<b>1.7</b>	<b>2.3</b>	<b>2.9</b>	<b>3.7</b>
<b>EPS</b>	<b>0.1</b>	<b>0.1</b>	<b>0.1</b>	<b>0.2</b>	<b>0.2</b>	<b>0.3</b>
Sales growth	nm	17%	17%	17%	17%	17%
EBITDA growth	nm	21%	41%	24%	24%	23%
Net Profit growth	nm	29%	66%	30%	28%	27%
EBITDA margin	11%	12%	14%	15%	16%	17%
EBIT margin	5%	6%	8%	9%	10%	11%
Net Pr. Margin	4%	4%	6%	7%	7%	8%
Interest Cover (1) (x)	20.4	0.0	0.0	0.0	0.0	0.0

**MAIL-IT: Summarised Balance Sheet and key ratios**

€m	2016	2017E	2018E	2019E	2020E	2021E
Fixed assets	15.0	15.5	16.3	17.0	17.6	18.0
Goodwill	10.4	10.4	10.4	10.4	10.4	10.4
Inventories	0.0	0.0	0.0	0.0	0.0	0.0
Trade Receivables	3.4	3.0	3.0	3.5	4.1	4.7
Cash + S/T Inv. + other	4.5	11.6	13.5	15.5	18.0	21.6
<b>Total Assets</b>	<b>33.3</b>	<b>40.6</b>	<b>43.2</b>	<b>46.4</b>	<b>50.1</b>	<b>54.7</b>
Sharehold. Equity	7.0	14.1	15.8	18.1	21.0	24.7
L-T Financial Debt	-2.2	-2.2	-2.2	-2.2	-2.2	-2.2
S-T Financial Debt	-1.3	-1.3	-1.3	-1.3	-1.3	-1.3
Trade Payables	-2.9	-3.2	-4.0	-5.0	-5.8	-6.8
Provisions + Other	32.7	33.3	34.9	36.9	38.5	40.4
<b>Total Liabilities</b>	<b>33.3</b>	<b>40.6</b>	<b>43.2</b>	<b>46.4</b>	<b>50.1</b>	<b>54.7</b>
Net Debt	1.0	8.1	10.0	12.0	14.5	18.1
WACC	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
Net Debt/Equity	13.6%	57.8%	63.4%	66.5%	69.3%	73.2%
ROCE (2)	14.1%	4.7%	6.7%	7.5%	8.2%	8.6%
ROE	11.7%	7.5%	11.1%	12.5%	13.9%	15.0%
ROCE/WACC (x)	1.4	0.5	0.7	0.7	0.8	0.9

**MAIL-IT: Simplified Cash Flow Statement and key ratios**

€m	2016	2017E	2018E	2019E	2020E	2021E
Net Profit	0.8	1.1	1.7	2.3	2.9	3.7
+ Depreciation & Amort.	-1.2	-1.5	-1.7	-2.0	-2.4	-2.8
+/- Other	3.1	3.6	4.4	4.6	5.0	5.8
<b>= Operating CF</b>	<b>2.7</b>	<b>3.2</b>	<b>4.4</b>	<b>4.8</b>	<b>5.5</b>	<b>6.7</b>
- Chg in Working Capital	-0.6	-0.6	-0.9	-0.5	-0.2	-0.2
- CAPEX of which	-2.2	-2.0	-2.5	-2.8	-3.0	-3.2
Expansionary CPX	0	0	0	0	0	0
- Dividends/Net Equity	0.0	6.0	0.0	0.0	0.0	0.0
<b>= FCF</b>	<b>-0.1</b>	<b>6.5</b>	<b>1.0</b>	<b>1.5</b>	<b>2.3</b>	<b>3.3</b>
FCF Yld (M.Cp)	-0.3%	1.5%	2.7%	4.1%	6.3%	9.0%
FCF Yld (EV)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>FCF (3)</b>	<b>-0.1</b>	<b>6.5</b>	<b>1.0</b>	<b>1.5</b>	<b>2.3</b>	<b>3.3</b>
FCF Yld (M.Cp)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
FCF Yld (EV)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

**MAIL-IT: EV Valuations**

€m	2017E	2018E	2019E
+ Mkt Cap	36	36	36
+ Net Debt	8.1	10.0	12.0
- Non-core assets	0.0	0.0	0.0
+/- Other	0.0	0.0	0.0
<b>= EV</b>	<b>44</b>	<b>46</b>	<b>48</b>
EV/Sales (x)	1.8	1.6	1.4
EV/EBITDA (x)	15.2	11.2	9.4
EV/EBIT (x)	30.9	19.4	15.6
EV/IC (x)	2.0	1.8	1.6

**MAIL-IT: Share Information**

Outstanding no. shares (m)	14.1
Market Cap (€ m)	36
Avge daily volume (m sh, last 3 m)	0.0
Free float %	32%
<b>Major shareholders</b>	
Management team	68%
Free float	32%

Management shares option scheme  
% of Capital  
Nearest to vest

(1) calculated as EBIT/Int. expenses (2) calculated as ROCE after taxes (3) calculated ex-expansionary CAPEX

(\*) Source: company data and Fidentiis estimates

This publication has been reviewed and approved by the "Committee for the Independence of the Publications of the Research Department".



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