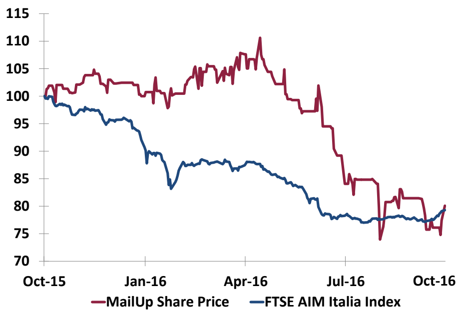
mailup® BE RELEVANT

OUTPERFORM

Current Share Price (€): 1.81

Target Price (€): 2.67

MailUp – 1Y Performance



Note: 19/10/2015=100

Company data

Bloomberg code	MAIL IM
Reuters code	MAIL.MI
Share Price (€)	1.81
Date of Price	17+18/10/2016
Shares Outstanding (m)	11.3
Market Cap (€m)	20.5
Market Float (%)	13.6%
Daily Volume (18/10/2016)	0
Volume of last trade (17/10/2016)	1,560
Avg Daily Volume YTD	2,083
Target Price (€)	2.67
Upside (%)	47%
Recommendation	OUTPERFORM

Share price performance

	1M	3M	1Y
MailUp - Absolute (%)	-1.7%	-4.7%	-19.9%
FTSE AIM Italia (%)	2.1%	1.1%	-20.7%
1Y Range H/L (€)		2.50	1.67
YTD Change (€)/%		-0.51	-21.8%

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On the growth path, facing stock market troubles

MailUp accelerates on the top line

H1 2016 revenues and EBITDA doubled compared to H1 2015, thanks to the combined effect of organic growth, mainly in the e-mail business, and of the acquisitions completed in 2015. Revenues increased to €10.1m (vs €4.5m in H1 2015), with e-mail revenues growing by 36% reaching €4.4m and SMS revenues growing by 350%, mainly linked to Agile Telecom's acquisition, reaching €5.2m. First six-months recorded 35% of revenues generated abroad (vs. 10% in H1 2015). H1 2016 EBITDA was €1.1m, doubled compared to H1 2015, consisting of a 11% margin. D&A of €1.1m (including amortization of goodwill) and income taxes for €150k, led to a net loss of around €150k (vs. breakeven in the bottom line as of H1 2015). Net cash at June 30th, 2016 was €0.8m (vs. €0.3m at year-end 2015).

Continuous improvement in service level

In the first half of 2016, MailUp continued to invest to upgrade its proprietary platform, by adding new features (such as innovative modules, simplified automation for a more user-friendly interface, landing pages, new APIs). A PRO version of BEE Plugin, MailUp's freemium online drag & drop e-mail builder, was also launched, initiating new revenue streams. The development program for the short-term aims at extending the capabilities of the platform through continued investment in R&D.

A conservative mood for our estimates

H1 2016 results showed a marked progress in revenues, which cover about 45% of our estimated 2016 revenues, thus we maintained our top line forecasted figures. However, the business mix change, attributable to the strengthening of the SMS channel, determined a lower profitability compared to our expectations, thus we revised our margin estimates downwards for 2016 and fine-tuned our 2017 and 2018 forecasts. Overall, EBITDA margin is expected to be in the range of 14-15% in the 3-year plan, EBIT margin in the region of 5% and net income to reach €1m in 2018. Cash generation remains strong and we expect net cash position to improve furtherly.

Target Price €2.67 per share, OUTPERFORM recommendation

Following our estimates revision, the DCF-based valuation yields a target price of €2.67 per share, at 47% premium, thus we confirm our OUTPERFORM recommendation on the stock.

Key financials

€m	2015PF	2016E	2017E	2018E
Revenues	**18.9**	**22.3**	**25.4**	**28.9**
YoY %	*135.4%*	*17.8%*	*14.0%*	*14.0%*
EBITDA	**3.0**	**3.1**	**3.7**	**4.4**
Margin	*15.7%*	*14.0%*	*14.4%*	*15.1%*
EBIT	**1.2**	**1.2**	**1.3**	**1.5**
Margin	*6.2%*	*5.4%*	*5.1%*	*5.3%*
Net Income	**1.2**	**0.6**	**0.7**	**1.0**
Trade Working Capital	**(3.0)**	**(3.8)**	**(4.5)**	**(5.0)**
TWC / Revenues	*n.m.*	*n.m.*	*n.m.*	*n.m.*
Net (Debt) / Cash	**0.3**	**1.4**	**3.0**	**5.1**
Equity	**7.3**	**7.9**	**8.7**	**9.6**

Source: Company data and EnVent Research

MailUp accelerates on the top line in H1 2016

The acquisitions completed in 2015 - Acumbamail, Agile Telecom and Globase (later renamed MailUp Nordics) - are helping to accelerate growth and strengthen MailUp's position in the SMS business and on the international markets.
The 2016 six-month financial statements include the P&L impact of Agile Telecom and MailUp Nordics, whose acquisitions were effective as of December 2015. Thus, comparability with H1 2015 is limited.

Strengthened SMS business thanks to Agile Telecom's contribution to revenues

35% of sales generated abroad

H1 2016 revenues and EBITDA doubled compared to H1 2015, thanks to the combined effect of organic and external growth. Revenues increased to €10.1m (vs. €4.5m in H1 2015). As to the breakdown by product, e-mail revenues grew by 36%, from €3.2m in H1 2015 to €4.4m in H1 2016; SMS revenues grew by 350%, significantly impacted by Agile Telecom's acquisition, from €1.6m in H1 2015 to €5.2m in H1 2016. Revenues in the six months included over 35% of sales generated abroad (vs. 10% in H1 2015), mainly in Europe. H1 2016 EBITDA was €1.1m, which doubled compared to H1 2015; EBITDA margin (around 11%) was in line with the same period of the prior year.

Top line and EBITDA doubled

Heavier D&A and goodwill amortization affect profits

Consolidated Profit and Loss

€m	H1 2015	H1 2016
Revenues	**4.5**	**10.1**
YoY %	*16.2%*	*123.3%*
Cost of sales	(1.1)	(3.7)
Gross Profit	**3.4**	**6.5**
Margin	*75.7%*	*63.8%*
Personnel	(2.3)	(3.3)
Other operating costs	(0.6)	(2.1)
EBITDA	**0.5**	**1.1**
Margin	*10.9%*	*10.8%*
D&A	(0.5)	(0.7)
EBITA	**0.03**	**0.4**
Margin	*0.7%*	*3.6%*
Goodwill amortization	0.0	(0.4)
EBIT	**0.03**	**0.02**
Margin	*0.7%*	*0.2%*
Interest	0.00	(0.01)
Exchange gain (loss)	(0.00)	(0.01)
EBT	**0.03**	**(0.00)**
Margin	*0.7%*	*0.0%*
Income taxes	(0.02)	(0.1)
Net Income (Loss)	**0.01**	**(0.2)**
Margin	*0.2%*	*-1.5%*

Source: Company data

The bottom line shows a net loss of around €150k, after D&A of €1.1m (including a €350k goodwill amortization charge) and income taxes of €150k. The adoption of

IAS/IFRS accounting principles - foreseen for year-end accounts - that do not require goodwill amortization, would have resulted in a net income of €240k, according to the reconciliation shown by the Company in its H1 2016 Management's report.

Period-end net cash of €0.8m increased from €0.3m at year-end 2015. Trade working capital continued to be a funding source, due to a further increase in trade payables and deferred income. Intangible assets grew, as per investments in MailUp's platform. Financial investments grew to approximately €250k consequent to MailUp increasing its stake in CRIT Cremona Information Technology, a consortium of IT companies committed to create a technology center based in Cremona.

TWC is a permanent source of funding as per MailUp's sales model

Investments in MailUp's proprietary platform continue

Debt-free balance sheet

Consolidated Balance Sheet

€m	2015	H1 2016
Trade receivables	2.9	2.9
Trade payables	(2.3)	(2.5)
Deferred income	(3.5)	(3.9)
Trade Working Capital	(3.0)	(3.5)
Other assets and liabilities	(1.2)	(1.4)
Net Working Capital	**(4.1)**	**(4.9)**
Intangible assets	4.0	4.4
Goodwill	7.0	6.7
Fixed assets	0.8	0.8
Financial investments	0.1	0.3
Non-current assets	**12.0**	**12.1**
Provisions for contingencies	(0.1)	(0.1)
Leaving indemnities	(0.7)	(0.8)
Provisions	**(0.8)**	**(0.9)**
Net Invested Capital	**7.0**	**6.3**
Cash and cash equivalents	(3.3)	(4.7)
Marketable securities	(0.1)	(0.0)
Bank debt	2.2	3.9
Other financial debt	0.8	0.0
Net Debt / (Cash)	**(0.3)**	**(0.8)**
Shareholders' equity	7.2	7.0
Minorities	0.0	0.0
Equity	**7.3**	**7.1**
Sources	**7.0**	**6.3**

Source: Company data

Cash flow from operations in H1 2016 was €1m, versus €0.6m in H1 2015.
After cash generated from working capital and R&D investments, the resulting inflow was €0.6m.

Consolidated Cash Flow

€m	H1 2015	H1 2016
EBIT	**0.03**	**0.02**
Current taxes	(0.02)	(0.1)
D&A	0.5	0.7
Goodwill amortization	0.0	0.4
Provisions	0.1	0.1
Cash flow from operations	**0.6**	**1.0**
Trade Working Capital	(2.9)	0.5
Other assets and liabilities	3.8	0.2
Capex	(1.4)	(1.1)
Financial investments	(0.0)	(0.1)
Cash flow minus capex and investments	**0.1**	**0.5**
Equity adjustments	0.2	0.0
Net cash flow	**0.2**	**0.5**
Net (Debt) / Cash - Beginning	3.3	0.3
Net (Debt) / Cash - End	3.5	0.8
Change in Net (Debt) / Cash	**0.2**	**0.5**

Source: Company data

Ratio analysis

KPIs	H1 2015	H1 2016
ROE	0.4%	n.m.
ROS (EBIT/Revenues)	0.7%	3.6%
ROIC (NOPAT/Invested Capital) (1)	n.m.	11.0%
DSO	46	44
DPO	49	63
TWC / Revenues (1)	n.m.	n.m.
Net Debt (Cash) / EBITDA (2)	n.m.	n.m.
Net Debt (Cash) / Equity (2)	n.m.	n.m.
Debt / (Debt+Equity) (2)	n.m.	n.m.
Cash flow from operations / EBITDA	119.7%	94.6%
FCF / EBITDA	12.3%	49.3%

Source: Company data - Notes: 1) ratio not meaningful for negative invested capital and working capital; 2) ratios not meaningful due to net cash position

Recent achievements

New features for MailUp's platform now available thanks to continued R&D

- Introduction of new features within the MailUp proprietary platform, such as innovative modules (embeddable plugins), simplified automation for a more user-friendly interface, landing pages and new APIs (application programming interfaces) that allow integration with customers' digital applications

- The BEE Plugin service, MailUp's freemium online drag & drop e-mail builder

Updated BEE Plugin

designed in Silicon Valley, developed in Italy and tested on over 400 companies internationally, was updated with new features and was made available in more languages (15). BEE reported 1,300 active users, growing at a 10% monthly rate.

Launch of BEE Plugin PRO

- Launch of a PRO version of BEE Plugin, at a limited subscription entry fee, dedicated to e-mail designers and web agencies. Currently it counts around 400 active users.

Three-level sales offer

- Launch of a new sales offer, based on the customer's level of expertise: WEB version, for autonomous and independent users; PRO, for large businesses, with dedicated technical support; ENTERPRISE, for mid-sized and large companies with more complex needs, combined with customized solutions and a customer success service

Partnership with TIM Impresa Semplice

- Partnership with TIM Impresa Semplice, part of the leading Italian telco TIM, to offer Mail Power service to users of the portal Nuvola Store, a portal of digital services for SMEs, SoHos, start-ups, commercial operators, professional premises, web agencies, restaurants and hotels

Short-term commitments

- New features and simplification of MailUp's platform
- Introduction of the SMS channel and geo-localization in other markets/languages for Acumbamail's platform
- Automated price calculation for the different SMS providers of Agile Telecom's platform
- New data-driven marketing features and a better usability for MailUp Nordics' platform
- Investment in developing integrations between services provided and other e-commerce systems, CRM and CMS
- Business development: new partnerships with suppliers of SaaS cloud systems, software and digital services and retailers (such as hosting and telecom providers) to accelerate market penetration
- Launch of new services, aimed at increasing the spending per customer
- Acquisition of systems, software and technologies, in the field of marketing, based on cloud computing to expand the service portfolio and penetrate new

market segments

- Acquisition of companies in new foreign markets
- On the profitability side, improvement in performance indicators, such as the churn and conversion rate
- Adoption of IAS/IFRS accounting principles as of year-end 2015 accounts

Estimates revision

Based on the recent H1 2016 results and on the business mix change, we have revised our estimates.

The change in estimates has been driven by:

- the increased size of the SMS business, following the acquisition of Agile Telecom, which implies a higher SMS cost and lower gross margin
- recent profitability
- target FY2016 net income between €0.4m-€0.6m

We maintained our top line estimates, deemed as achievable targets based on the results of the first six months of the year.

Change in estimates

€m	Actual 2015PF	Prev. 2016E	Rev. 2016E	Change %	Prev. 2017E	Rev. 2017E	Change %	Prev. 2018E	Rev. 2018E	Change %
Revenues	**18.9**	**22.3**	**22.3**	*0.0%*	**25.4**	**25.4**	*0.0%*	**28.9**	**28.9**	*0.0%*
Gross Profit	**13.1**	**15.3**	**14.2**	*-6.9%*	**17.4**	**16.2**	*-6.7%*	**19.9**	**18.5**	*-7.0%*
Margin	*69.2%*	*68.6%*	*63.9%*		*68.6%*	*63.9%*		*68.6%*	*63.9%*	
EBITDA	**3.0**	**3.9**	**3.1**	*-20.1%*	**4.8**	**3.7**	*-23.8%*	**6.0**	**4.4**	*-27.4%*
Margin	*15.7%*	*17.4%*	*14.0%*		*18.8%*	*14.4%*		*20.8%*	*15.1%*	
EBIT	**1.2**	**2.0**	**1.2**	*-39.8%*	**2.4**	**1.3**	*-46.0%*	**3.2**	**1.5**	*-51.9%*
Margin	*6.2%*	*8.8%*	*5.4%*		*9.5%*	*5.1%*		*11.0%*	*5.3%*	
Net Income	**1.2**	**1.1**	**0.6**	*-41.9%*	**1.4**	**0.7**	*-46.7%*	**2.0**	**1.0**	*-52.3%*
Net (Debt) / Cash	**0.3**	**1.8**	**1.4**	*-26.1%*	**3.9**	**3.0**	*-31.3%*	**7.1**	**5.1**	*-38.2%*

Source: EnVent Research

Assumptions

Revenues	• Yearly growth rates are estimated by business unit (e-mail and SMS) based on our forecast of client additions and on our estimate of e-mail and SMS revenue per client (ARPU) • Customer additions: +20% in 2016 and a more conservative 14% per year in 2017-2018 (30% discount rate) • No assumption on increase in SMS and e-mail ARPU • No assumption on revenue growth from acquisitions
Gross Profit	• Cost of sales mainly includes SMS cost, whose mark-up is estimated at 50%, in line with H1 2016
EBITDA	• Business mix change • Efficiencies in cost management • Personnel is assumed slightly decreasing as a percentage of revenues • Other operating costs are assumed slightly increasing as a percentage of revenues and are offset by R&D cost capitalization at a constant rate • Operating leverage and efficiency gains would drive EBITDA margin in the region of 15% in 2018
Working Capital	• Trade working capital is estimated through DSO and DPO at respectively 45dd and 74dd, in line with 2015 and includes deferred income stable, as a percentage of sales, as per the historical trend • Other working capital is also estimated stable, as a percentage of sales, in line with the historical trend
Capex	• Intangible capex is estimated in the region of 10% of sales, while tangible is negligible (2%)

Source: EnVent Research

Consolidated projections

Consolidated Profit and Loss

€m	2015PF	2016E	2017E	2018E
Revenues	**18.9**	**22.3**	**25.4**	**28.9**
YoY %	*135.4%*	*17.8%*	*14.0%*	*14.0%*
Cost of sales	(5.8)	(8.0)	(9.2)	(10.4)
Gross Profit	**13.1**	**14.2**	**16.2**	**18.5**
Margin	*69.2%*	*63.9%*	*63.9%*	*63.9%*
Personnel	(6.4)	(6.6)	(6.9)	(8.0)
Other operating costs	(3.7)	(4.5)	(5.6)	(6.2)
EBITDA	**3.0**	**3.1**	**3.7**	**4.4**
Margin	*15.7%*	*14.0%*	*14.4%*	*15.1%*
D&A	(1.1)	(1.3)	(1.8)	(2.2)
EBITA	**1.9**	**1.8**	**1.9**	**2.1**
Margin	*9.9%*	*8.0%*	*7.4%*	*7.3%*
Goodwill amortization	(0.7)	(0.6)	(0.6)	(0.6)
EBIT	**1.2**	**1.2**	**1.3**	**1.5**
Margin	*6.2%*	*5.4%*	*5.1%*	*5.3%*
Interest and Exchange gain (loss)	0.0	(0.1)	(0.1)	(0.0)
Non-recurring income	0.6	0.0	0.0	0.0
EBT	**1.9**	**1.1**	**1.2**	**1.5**
Margin	*9.9%*	*4.8%*	*4.8%*	*5.3%*
Income taxes	(0.6)	(0.4)	(0.5)	(0.6)
Net Income	**1.2**	**0.6**	**0.7**	**1.0**
Margin	*6.6%*	*2.9%*	*2.9%*	*3.3%*

Source: Company data and EnVent Research

Consolidated Balance Sheet

€m	2015A	2016E	2017E	2018E
Trade receivables	2.9	3.4	3.8	4.4
Trade payables	(2.3)	(3.1)	(3.6)	(4.1)
Deferred income	(3.5)	(4.1)	(4.7)	(5.4)
Trade Working Capital	(3.0)	(3.8)	(4.5)	(5.0)
Other assets	1.2	1.4	1.6	1.8
Other liabilities	(2.4)	(2.8)	(3.2)	(3.6)
Net Working Capital	**(4.1)**	**(5.2)**	**(6.1)**	**(6.9)**
Intangible assets	4.0	5.0	5.7	5.9
Goodwill	7.0	6.4	5.9	5.3
Fixed assets	0.8	0.8	0.9	0.9
Financial investments	0.1	0.3	0.3	0.3
Non-current assets	**12.0**	**12.5**	**12.6**	**12.3**
Provisions	**(0.8)**	**(0.8)**	**(0.9)**	**(1.0)**
Net Invested Capital	**7.0**	**6.5**	**5.7**	**4.5**
Net Debt / (Cash)	**(0.3)**	**(1.4)**	**(3.0)**	**(5.1)**
Equity	**7.3**	**7.9**	**8.7**	**9.6**
Sources	**7.0**	**6.5**	**5.7**	**4.5**

Source: Company data and EnVent Research

Consolidated Cash Flow

€m	2015PF	2016E	2017E	2018E
EBIT	**1.2**	**1.2**	**1.3**	**1.5**
Current taxes	(0.6)	(0.4)	(0.5)	(0.6)
D&A	1.1	1.3	1.8	2.2
Goodwill amortization	0.7	0.6	0.6	0.6
Provisions	0.3	0.0	0.0	0.1
Cash flow from operations	**2.6**	**2.7**	**3.2**	**3.9**
Trade Working Capital	0.7	0.9	0.7	0.6
Other assets and liabilities	0.8	0.2	0.2	0.2
Capex	(2.8)	(2.4)	(2.5)	(2.5)
Financial investments	(0.1)	(0.1)	0.0	0.0
Acquisition investment	(7.7)	0.0	0.0	0.0
Capital increase in kind	2.0	0.0	0.0	0.0
Cash flow minus capex and investments	**(4.5)**	**1.3**	**1.6**	**2.2**
Interest and Exchange gain (loss)	0.0	(0.1)	(0.1)	(0.0)
Non-recurring income	0.6	0.0	0.0	0.0
Equity adjustments	0.8	0.0	0.0	0.0
Net cash flow	**(3.0)**	**1.1**	**1.5**	**2.2**
Net (Debt) / Cash - Beginning	3.3	0.3	1.4	3.0
Net (Debt) / Cash - End	0.3	1.4	3.0	5.1
Change in Net (Debt) / Cash	**(3.0)**	**1.1**	**1.5**	**2.2**

Source: Company data and EnVent Research

Ratio analysis

KPIs	2015PF	2016E	2017E	2018E
ROE	23.6%	8.4%	9.0%	10.5%
ROS (EBIT/Revenues)	6.2%	5.4%	5.1%	5.3%
ROIC (NOPAT/Invested Capital) (1)	23.2%	12.3%	14.6%	20.8%
DSO	45	45	45	45
DPO	74	74	74	74
TWC / Revenues (1)	n.m.	n.m.	n.m.	n.m.
Net Debt (Cash) / EBITDA (2)	n.m.	n.m.	n.m.	n.m.
Net Debt (Cash) / Equity (2)	n.m.	n.m.	n.m.	n.m.
Debt / (Debt+Equity) (2)	n.m.	n.m.	n.m.	n.m.
Cash flow from operations / EBITDA	89.4%	86.6%	87.9%	89.4%
FCF / EBITDA	neg.	41.0%	44.1%	50.0%

Source: Company data and EnVent Research - Notes: 1) ratio not meaningful for negative invested capital and working capital; 2) ratios not meaningful due to net cash position

TWC, as a source of funding, and cash position are not meaningful as a percentage of sales, EBITDA and equity.

Valuation

MailUp is beginning to leverage on its operational cost structure, while growing both organically and by acquisitions. The financial performance is on track as per cash flow generation, while there is a slight drop in margins with respect to expectations. However, the impact of amortizations is the main cost increase. Accordingly, we continue to rely on our DCF model.

Discounted Cash Flows

The DCF model has been applied to our projections with the following assumptions:

- Risk free rate: 1.9% (Italian 10-year government bonds interest rate – 3Y average. Source: Bloomberg, September 2016)
- Market return: 14.0% (1Y average. Source: Bloomberg, September 2016)
- Market risk premium: 12.1%
- Beta: 0.6 (Beta of MailUp and average of selected comps. Source: September 2016)
- Small size equity premium adjustment: 2%
- Cost of equity: 10.7%
- Cost of debt: 6% (Source: EnVent Research)
- Tax rate: 27.5% (IRES)
- 20% debt/(debt + equity) as target capital structure
- WACC estimated at 9.4%
- Perpetual growth rate after explicit projections: 3.0%
- Terminal Value assumes a normalized sustainable EBIT margin of 5.5%

DCF Valuation

€m		2015PF	2016E	2017E	2018E	Perpetuity
Revenues		**18.9**	**22.3**	**25.4**	**28.9**	**29.8**
YoY %		*135.4%*	*17.8%*	*14.0%*	*14.0%*	
EBITDA		**3.0**	**3.1**	**3.7**	**4.4**	
Margin		*15.7%*	*14.0%*	*14.4%*	*15.1%*	
EBIT		**1.2**	**1.2**	**1.3**	**1.5**	**1.6**
Margin		*6.2%*	*5.4%*	*5.1%*	*5.3%*	*5.5%*
Taxes		(0.4)	(0.4)	(0.4)	(0.5)	(0.5)
NOPAT		**0.8**	**0.8**	**0.9**	**1.1**	**1.1**
D&A and Goodwill amortization		1.8	1.9	2.4	2.8	2.6
Provisions		0.3	0.0	0.0	0.1	0.1
Cash flow from operations		**2.9**	**2.8**	**3.3**	**4.0**	**3.8**
Trade Working Capital		0.7	0.9	0.7	0.6	0.6
Other assets and liabilities		0.8	0.2	0.2	0.2	0.2
Capex		(2.8)	(2.4)	(2.5)	(2.5)	(2.6)
Financial investments		(0.1)	(0.1)	0.0	0.0	0.0
Acquisition investment		(7.7)	0.0	0.0	0.0	0.0
Capital increase in kind		2.0	0.0	0.0	0.0	0.0
Free cash flow		**(4.1)**	**1.5**	**1.7**	**2.3**	**2.0**
WACC	9.4%					
Long-term growth (G)	3.0%					
Discount Factor			0.91	0.84	0.76	0.76
Discounted Cash Flows			**1.3**	**1.4**	**1.7**	
Sum of Discounted Cash Flows	4.5					
Terminal Value	32.7					
Discounted TV	25.0					
Enterprise Value	**29.5**					
Net Cash as of 30/06/2016	0.8					
Equity Value	**30.2**					

DCF - Implied multiples	**2016E**	**2017E**	**2018E**
EV/Revenues	1.3x	1.2x	1.0x
EV/EBITDA	9.4x	8.1x	6.8x

Source: EnVent Research

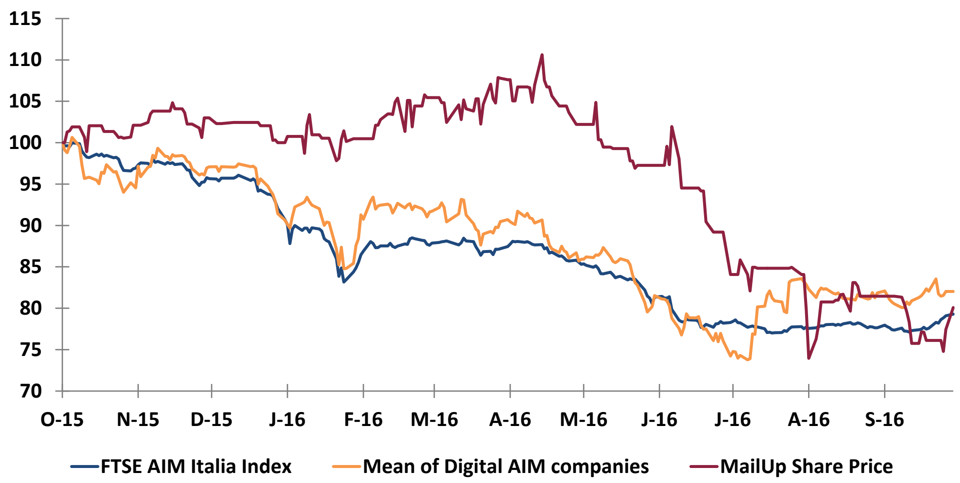
Market update

Fair performance of the Digital segment in H1, troubled waters in Q3

Digital AIM Italia companies did slightly better than the declining AIM Italia index until June 2016, while in Q3 the trend inverted, partially recovering, and performed better than average.

In the same period, MailUp’s share price realigned downwards, after the previous outperformance.

Market performance



Source: Bloomberg - Note: 19/10/2015=100

Peer Group - Performances

Stock	Currency	Price	Mkt Cap (m)	1M	3M	6M	YTD	1Y
MailUp	**EUR**	**1.81**	**20.5**	**-1.7%**	**-4.7%**	**-23.8%**	**-21.8%**	**-19.9%**
AIM Italia Digital companies								
Mobyt	EUR	2.49	31.6	1.6%	24.9%	30.0%	23.5%	24.7%
DigiTouch	EUR	1.16	16.1	-6.6%	-29.2%	-37.6%	-50.6%	-47.3%
Triboo Media	EUR	2.55	73.2	6.2%	5.7%	-13.3%	-4.2%	-29.6%
Primi sui Motori	EUR	1.14	4.9	9.6%	12.9%	-32.5%	-66.5%	-76.8%
Expert System	EUR	2.01	55.1	6.1%	10.9%	-5.5%	-3.8%	3.8%
axélero	EUR	2.75	37.3	34.8%	22.2%	-31.3%	-43.5%	-42.1%
Softec	EUR	2.15	4.5	-7.3%	2.4%	-34.8%	-66.0%	-73.8%
MP7 Italia	EUR	1.13	6.3	-4.3%	-3.7%	-43.6%	-48.0%	-50.0%
DHH	EUR	8.95	13.3	-1.6%				
Vetrya	EUR	6.18	32.7	-1.7%				
Mean				**3.7%**	**5.8%**	**-21.1%**	**-32.4%**	**-36.4%**
Weighted average				**7.0%**	**8.1%**	**-9.8%**	**-11.4%**	**-16.5%**
International selected ESPs								
dotDigital	EUR	0.60	177.2	3.9%	6.3%	7.9%	-15.5%	10.9%
HubSpot	EUR	46.84	1,655.5	-6.4%	0.9%	21.6%	-9.7%	6.7%
TradeDoubler	EUR	0.55	23.1	-0.4%	-25.4%	-14.4%	-9.4%	-15.6%
Antevenio	EUR	5.27	21.1	-12.2%	4.8%	14.3%	19.2%	42.0%
Salesforce	EUR	66.24	44,980.0	0.9%	-10.4%	-1.5%	-8.2%	-3.8%
Wix.com	EUR	39.92	1,695.2	0.8%	41.0%	88.9%	90.6%	112.6%
Mean				**-2.2%**	**2.8%**	**19.5%**	**11.2%**	**25.5%**
Weighted average				**0.6%**	**-8.2%**	**2.5%**	**-4.9%**	**0.7%**

Source: S&P Capital IQ 17/10/2016

Note: Weighted average on market cap

Peer Group – Market Multiples

AIM Italia Digital companies

Comparables	EV/REVENUES 2015	EV/REVENUES 2016E	EV/REVENUES 2017E	EV/EBITDA 2015	EV/EBITDA 2016E	EV/EBITDA 2017E
MailUp	**1.3x**	**0.9x**	**0.8x**	**8.0x**	**6.3x**	**5.4x**
Mobyt	0.9x	0.8x	0.7x	6.3x	4.0x	3.5x
DigiTouch	1.3x	0.6x	0.5x	6.9x	2.9x	2.6x
Triboo Media	1.0x	1.6x	1.6x	5.4x	6.3x	5.5x
Primi sui Motori	2.5x	n.a.	n.a.	neg	n.a.	n.a.
Expert System	3.0x	2.5x	2.0x	neg	n.m.	9.8x
axélero	2.9x	1.0x	0.6x	n.m.	2.9x	1.8x
Mean	1.9x	1.3x	1.1x	6.2x	4.0x	4.6x
Mean w/out extremes	1.9x	1.1x	1.0x	6.3x	3.5x	3.9x
Median	1.9x	1.0x	0.7x	6.3x	3.5x	3.5x

International selected ESPs

Comparables	EV/REVENUES 2015	EV/REVENUES 2016E	EV/REVENUES 2017E	EV/EBITDA 2015	EV/EBITDA 2016E	EV/EBITDA 2017E
dotDigital	6.4x	4.8x	4.0x	24.0x	17.0x	13.6x
HubSpot	10.0x	6.6x	5.0x	neg	neg	neg
TradeDoubler	0.1x	n.a.	n.a.	neg	n.a.	n.a.
Antevenio	0.6x	0.7x	0.6x	9.2x	6.3x	5.7x
Salesforce	10.3x	7.5x	6.2x	n.m.	n.m.	n.m.
Wix.com	3.9x	6.3x	4.9x	neg	50.5x	25.4x
Mean	5.2x	5.2x	4.2x	16.6x	24.6x	14.9x
Mean w/out extremes	5.2x	5.9x	4.6x	n.m.	17.0x	13.6x
Median	5.1x	6.3x	4.9x	16.6x	17.0x	13.6x

Source: S&P Capital IQ
17/10/2016

Looking at the 2015-2016 multiples, compared to the AIM Italia peers, MailUp is trading at around 30% discount in terms of revenues and at a strong premium in terms of EBITDA. Compared to the International peer group, MailUp is trading at 80% discount in terms of revenues and 60% discount in terms of profitability.

Bessemer Venture Partners, a US venture capital firm specialized in technology start-ups, publishes an analysis of over 40 US cloud computing firms with a market cap ranging USD$100m-50,000m that shows the following indicators:

Cloud Computing Peers

Company	MarketCap	EV	Multiples EV/Revenue 2015	Multiples EV/Revenue 2016	Multiples P/FCF 2016	Multiples EV/EBITDA 2016	Operating Metrics Revenue 2016	Operating Metrics % Margin 15 - 16	Operating Metrics % Margin Gross	Operating Metrics % Gross Retention
Median	**$2,155**	**$1,923**	**7.8x**	**6.3x**	**45.2x**	**20.5x**	**$299**	**26%**	**71%**	**93%**
Mean	**$4,861**	**$4,693**	**8.8x**	**6.7x**	**43.1x**	**33.6x**	**$524**	**28%**	**71%**	**101%**
Low	**$98**	**$58**	**0.5x**	**0.5x**	**18.5x**	**16.9x**	**$73**	**5%**	**46%**	**80%**
High	**$51,055**	**$51,905**	**33.4x**	**23.0x**	**73.8x**	**59.9x**	**$6,649**	**68%**	**89%**	**187%**

Source: Bessemer Venture Partners, BVP Cloud Computing Index, 05/10/2016

DCF and market valuation warnings

Together with relying on the DCF valuation, we also continue to monitor the market valuation of MailUp, driven by looking at the EV/Revenues multiple, which reflects the strategic appeal of market position and technological know-how, regardless of temporary profitability.

Target Price

Our revised projections and updated DCF model, given the current number of shares outstanding equal to 11,330,627, yield a target price per share of €2.67.
Given the 47% upside potential on current share price, we confirm our OUTPERFORM rating on the stock.

MailUp Price per Share	€
Target Price	**2.67**
Current Share Price (18/10/2016)	1.81
Premium / (Discount)	**47%**

Source: EnVent Research

Please refer to important disclosures at the end of this report.

Investment case

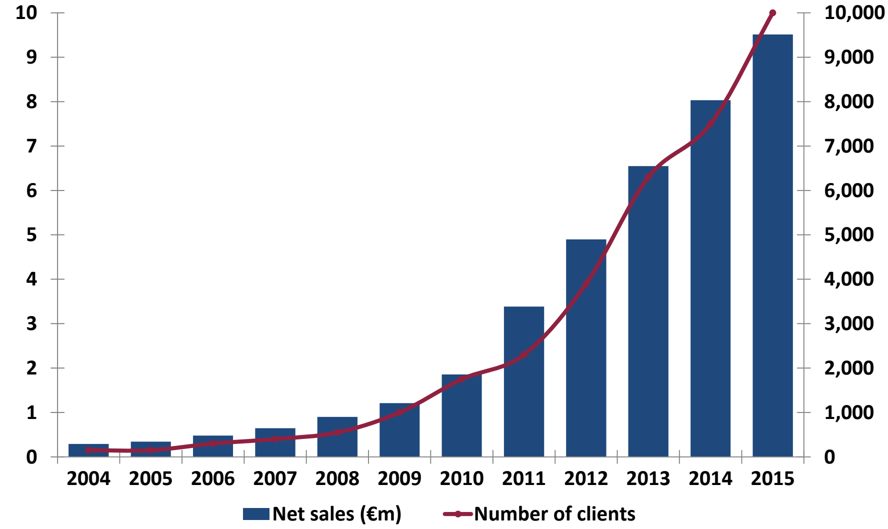
A high performance messaging marketing suite

MailUp develops and operates a proprietary automated messaging platform, which provides its clients with the possibility of managing the vital process of their direct message marketing communication to customers through different message forms such as e-mail, text (SMS), social network and newsletters. The main managed activities are the creation and transmission of messages, with subsequent tracking and statistical performance measure.

MailUp in a snapshot

- Over 10,000 clients (+200 new clients per month)
- Over 20 billion messages sent per year
- Global presence in 50 countries (with over 35% of revenues generated outside Italy)
- 800 agencies and resellers
- 135 employees
- 3 acquisitions, targeting Italy, Nordic markets and Spanish-speaking countries
- 2 partnerships in Japan and Indonesia
- Proforma revenues of €18.9m and EBITDA of €3m in FY2015

Historical net sales and portfolio of clients



Source: Company data – FY2013- FY2015 consolidated financial statements

Drivers

Industry drivers

E-mail is the lifeblood of many consumer businesses. Despite today the number of contact points between companies and consumers is constantly increasing thanks to social media and other digital channels, e-mail is by far the most effective way for companies to attract and retain customers.
According to a study by McKinsey, 91% of US consumers check their e-mail daily and the rate at which e-mails prompt purchases is three times higher than that of social media. Moreover the average order value per message is 17% higher. (McKinsey, *Why marketers should keep sending you e-mails*, January 2014)
The average marketing e-mail *open* rate is approximately 30%, but can increase to over 50% when the e-mail is specifically triggered (linked to previous contacts).
E-mail marketing is not just highly effective, it is also efficient. According to the US Direct Marketing Association, for every $1 spent on e-mail marketing, $44.25 is the average return. E-mail marketing's ROI is many multiples of any other strategy and requires the lowest upfront investment. With an *open* rate between 30-50% and *click-through* rate between 4-10%, e-mail is a very cost effective marketing tool.

E-mail marketing is the solution for limited marketing budgets. For most companies it is too expensive to hire marketing in-house staff or engage external marketing agencies to develop and execute an e-mail marketing campaign. The availability of an easy to use dedicated tool is the logical solution.

Triggered e-mails are increasing their effectiveness. A survey on triggered e-mails (e-mails sent as a result of an action such as a welcome, thank you, an abandon shopping cart or confirmation) indicates that these have over 50% *open* rates and 10% *click-through* rates (metrics based on 7.8 billion e-mails sent in Q2 2014 across more than 140 North American companies and across multiple industries, provided by Epsilon, a US digital agency network).

E-mail is increasingly being viewed on mobile devices. Data for over 1.8 billion e-mail *opens* deriving from nearly 22 billion e-mail recipients of campaigns sent in 2013 shows that mobile is the most popular environment for a subscriber's first interaction with an e-mail (41%), followed by desktop (28%) and webmail (22%). From 2011 to 2013, e-mail *opens* on mobile devices increased by 30%.

Company drivers

Attractive and highly scalable business model. Revenues are driven by the number of clients and the subscription fees charged to them. Clients prepay annual subscription fees in advance (part of the fees are accounted for as deferred revenue).
A pay-per-speed (as opposed to pay-per-volume and pay-per-list size) pricing

strategy represents a unique, attractive and flexible pricing model which fits high-volume senders.

Visibility of future revenues. A strong customer loyalty, implying, according to the Management, a high client retention rate, together with an average contract life of around 5 years, allows for resiliency in revenue stream. The annual upfront subscription fee scheme of payment, with automatic renewal, provides the Company with a significant base of recurring revenue.

Technology. The selling proposition consists of a proprietary platform-architecture, which allows to specifically process message delivery speed, embedding sophisticated algorithms that ensure reliable execution and above-average inbox-delivery rates, facilitating MailUp's clients to effectively reach their targeted audience.

Reselling. The platform can be easily marketed by third-party resellers allowing to achieve quick market penetration. Its accessible and self-explanatory user path does not require the presence of expert implementation IT professionals and, as such, it is relatively easy to be sold as a white label by local providers wishing to use their own brand. Moreover, the user-oriented platform format, aside from its ease-of-use even for the most un-sophisticated clients, has the additional advantage to be quickly language-adapted for foreign markets. Consequently, international market entry takes less time than that of English-speaking or other international competitors, having developed more complex platforms.

Wide client base and low concentration. MailUp today has 10,000 clients and low client concentration or revenue-loss risk (the largest 20 clients at the time of IPO accounted for approximately 20% of total revenues).

Management-Shareholder alignment of interests. Key managers are also shareholders of the Company and are directly involved in the execution of the Group's growth strategy, leveraging on their skills and industry expertise.

Inbound marketing. The marketing strategy is based on inbound marketing, a modern data-driven and multi-channel approach that attracts consumers to a brand, generates leads and converts them into clients. Around 97% of clients finds MailUp through the web, with nearly 60,000 unique monthly visits and 1,000 free trials activated per month.

Challenges

Low barriers to entry and pricing trends. Digital marketing solutions have relatively low barriers to entry. Potential new competitors can enter the marketplace without significant obstacles and large industry players could either build their competences in-house, acquire, or establish relationships with smaller players. In terms of pricing, as many customers make general CRM decisions on the perceived features and costs of a platform, a multi-suite competitor may decide to offer underpriced, or free, message marketing services in order to capture CRM engagements, or as a strategic competitive decision, affecting the Company's pricing potential.

Changes in the anti-spam regulatory framework. MailUp has an internal procedure to comply with the current privacy regulation and is committed to decline, or terminate relationships, with non-compliant prospects or clients. Any adverse change in the anti-spam laws could negatively impact the use, and value-added, of its e-mail marketing service offering perceived by current and future clients.

Increased use of alternate inboxes. Some mailbox providers (Gmail, Yahoo, etc.) and Internet Service Providers (ISPs) have recently started to categorize e-mails that originate from service providers as promotional and started to direct these e-mails to alternate folders in their customer inboxes. These alternate folders are specifically *labeled* to contain promotional e-mail (not spam). If this trend grows and e-mail *open* rates for messages sent through MailUp decline, then clients may rethink the value of sending promotional e-mail and possibly cancel their accounts or the amount they are willing to pay for its services.

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The stock price indicated is the reference price on the day indicated as "Date of Price" in the table on the front page of this publication.

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Date	Recommendation	Target Price (€)	Share Price (€)
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22/10/2015	OUTPERFORM	3.44	2.98
21/01/2016	UNDER REVIEW	n.a.	2.96
10/05/2016	OUTPERFORM	3.16	2.36
18/10/2016	OUTPERFORM	2.67	1.81

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