

MailUp Group

Sector: Marketing Technology



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Always delivering good results

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.

1H19 results: High growth and positive cash generation

MailUp Group's 1H19 financial figures recently released confirm the company fast growing profile and cash generation capability. Turnover was up +63% YoY with EBITDA and Net Profit up +34% and +80% YoY respectively if adjusted for one off items and changes in accounting principles.

Net Cash position at ca. €4.4mn (€6.8mn net of IFRS 16 effect), implies a positive 1H19 free cash flow despite €1mn financial investments.

That said, we are maintaining unchanged our full year 2019E-20E estimates after taking into account the effects of IFRS 16 implementation and one-off charges. Topline and EBITDA are expected to increase at 30% and 39% 2yr-CAGR respectively up to 2020E, (EBITDA margin at 10.6% in 2020E).

Success come from afar

Nowadays, within the marketing technology arena, MailUp Group is one of the leading European players (i.e. it ranks among the top five to ten players in Europe and the top three players in Italy) offering a state-of-the art mix of solutions and capabilities either developed in house (e.g. BEE, MailUp) or acquired outside (Acumbamail, Agile Telecom, Datatrics).

A clear proof of these capabilities is demonstrated by Turnover posting a 49% 3yy CAGR₁₅₋₁₈ with international sales now accounting for ca. 45% of consolidated ones.

If Agile Telecom has been the driver of latest quarters growth, we expect BEE and Datatrics to be the main value creation levers ahead. BEE is more and more competing globally (1H19 revenues +146% YoY) while Datatrics is gaining traction and acquiring high spending clients at a very fast pace (ca. 240 clients currently, more than doubled YoY).

Fair Value confirmed at €4.40 per share

We confirm our fair valuation on MailUp Group shares at €4.40, resulting from the Sum-of-the-Parts model, also cross checking for implied market multiples of international and domestic peers. At such fair value, the stock would trade at 1.0x EV/Sales 2019E and 10.8x EV/EBITDA Adj. 2019.

Fair Value (€) 4.40
Market Price (€) 4.04
Market Cap. (€m) 60.5

KEY FINANCIALS (€m)	2018A	2019E	2020E
REVENUES FROM SALES	39.0	59.4	69.2
EBITDA	3.8	4.8	7.3
EBIT	1.9	2.6	4.8
NET PROFIT	1.3	1.6	3.2
NET PROFIT ADJ.	1.4	2.1	3.2
EQUITY	15.9	17.5	20.7
NET FINANCIAL POS.	6.4	3.9	7.1
EPS ADJ. (€)	0.09	0.14	0.21

Source: MailUp Group (2018A), Value Track (2019E-20E estimates)

RATIOS & MULTIPLES	2018A	2019E	2020E
EBITDA MARGIN (%) (*)	9.7	8.1	10.6
EBIT MARGIN (%) (*)	4.9	4.4	6.9
NET DEBT / EBITDA (x)	nm	nm	nm
NET DEBT / EQUITY (%)	nm	nm	nm
EV/SALES (x)	0.8	1.0	0.8
EV/EBITDA (x)	7.8	11.7	7.3
EV/EBIT (x)	15.5	21.5	11.2
P/E ADJ. (x)	25.0	29.1	19.2

Source: MailUp Group (2018A), Value Track (2019E-20E estimates)
 (*) As % of Revenues from Sales

STOCK DATA

FAIR VALUE (€)	4.40
MARKET PRICE (€)	4.04
SHS. OUT. (m)	15.0
MARKET CAP. (€m)	60.5
FREE FLOAT (%)	33.2
AVG. -20D VOL. (#)	26,151
RIC / BBG	MAIL.MI / MAIL IM
52 WK RANGE	2.20 - 4.80

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 reference market.

In great detail, MailUp Group is involved in provisioning of email marketing services, delivery of mobile text messages (for both transactional and marketing purposes), email editing support, Customer Data Platform and professional services to business clients.

Key Financials

€mn	2017A	2018A	2019E	2020E
Net Revenues from Sales	26.4	39.0	59.4	69.2
Chg. % YoY	25.4%	47.6%	52.4%	16.4%
EBITDA	2.9	3.8	4.8	7.3
EBITDA Margin (% of Net Revenues)	10.9%	9.7%	8.1%	10.6%
EBIT	1.3	1.9	2.6	4.8
EBIT Margin (% of Net Revenues)	4.8%	4.9%	4.4%	6.9%
Net Profit	0.6	1.3	1.6	3.2
Chg. % YoY	nm	nm	27.8%	96.6%
Adjusted Net Profit	0.6	1.4	2.1	3.2
Chg. % YoY	nm	nm	48.7%	52.1%
Net Cash Position	7.3	6.4	3.9	7.1
Net Fin. Pos. / EBITDA (x)	nm	nm	nm	nm
Capex	-2.0	-1.2	-2.0	-2.1
OpFCF b.t.	2.6	1.8	4.9	5.1
OpFCF b.t. as % of EBITDA	88.7%	48.0%	66.6%	59.7%

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

Investment case

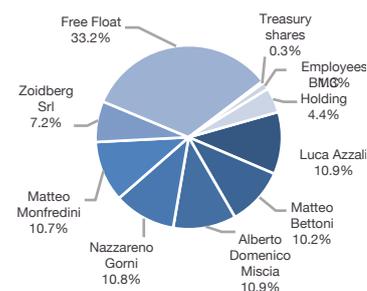
Strengths / Opportunities

- ◆ 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

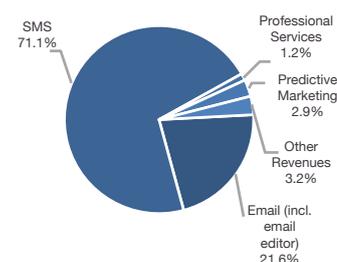
- ◆ Much smaller size if compared to Anglo-Saxons competitors;
- ◆ MarTech moves fast and MailUp group capability to keep up with the pace could be limited due to financial constraints.

Shareholders Structure



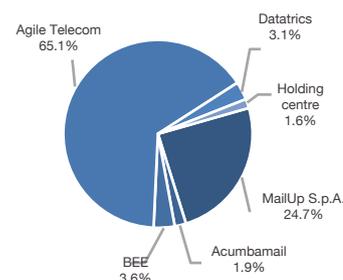
Source: MailUp SpA

Sales breakdown by business line



Source: MailUp SpA

Sales breakdown by legal entity



Source: MailUp SpA

Stock multiples @ €4.40 Fair Value

	2019E	2020E
EV / SALES (x)	1.0	0.8
EV / EBITDA (x)	12.8	8.0
EV / EBIT (x)	23.5	12.3
EV / CAP.EMP. (x)	4.5	4.3
OpFCF Yield (%)	4.7	8.0
P / E (x)	31.7	20.9
P / BV (x)	3.8	3.2
Div. Yield. (%)	0.0	0.0

Source: Value Track

MailUp Group “Identity Card”

Born as email marketing provider, today is the “Italian digital marketing tech hub”

MailUp Group is a vertically integrated player active in the cloud marketing technology industry offering a wide range of solutions, with a focus on messaging and data-driven omni-channel marketing automation.

Founded back in 2002 as a digital agency with a business strategy basically focused upon the provisioning of standardized email marketing, nowadays is the **Italian digital marketing tech hub** which counts more than 22,000 customers (130,000 including free users) across 115 countries worldwide, present with its offices in three continents, and relying on a staff of ca. 230 units.

Within the marketing technology arena, MailUp Group is one of the leading European players in cloud software (i.e. it ranks **among the top five to ten players in Europe** and the top three players in Italy), achieving a **Turnover close to €60mn** as of 2019E, with top line almost fourfold between 2015 and 2018. International sales now account for ca. 45% of consolidated revenues.

MailUp Group: Geographic footprint



Source: MailUp Group

Wide service offer ranging from entry level services to premium ones

MailUp Group offers to both marketers and developers a wide range of marketing technology tools and solutions going from highly standardized entry-level ones to customized, and so premium, ones.

Email service provisioning and mobile messaging delivery are the core activities, complemented by sophisticated email editing tools, innovative marketing technology solutions, such as artificial intelligence-managed Customer Data Platform services, and professional consulting services.

All tools / solutions are offered unbundled or combined into more structured workflows and are provided by the various companies of the Group in a highly synergic way. More in details:

- ◆ **Email marketing services** are mainly provided by MailUp SpA and Acumbamail, which are differentiated both in terms of geographies and client segment addressed, with solutions provided both on a pay as you go basis and annual fees model);

- ◆ As far as the **mobile messaging activity** is concerned, MailUp Group allows its corporate users to communicate with their customer base via mobile messages, both marketing oriented or, more and more, transactional ones (A2P, application-to-person).

In addition to email and mobile messaging, MailUp Group also offers:

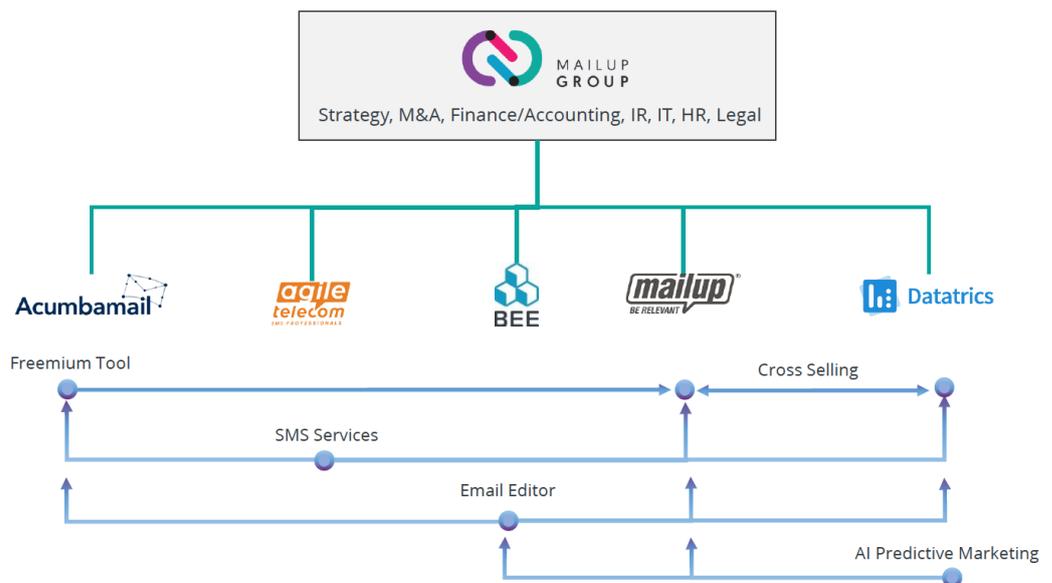
- ◆ Sophisticated but easy to use drag-&-drop **email editing tools**, named BEE, which can be used on stand-alone basis or even embedded in third-party applications, such as customers' CMS (Content Management System) and CRM (Customer Relationship Management) systems so as to have totally integrated and manageable sales and marketing experience. Such editor is offered as:
- ◆ **Professional consulting services** for customisations, dataset and management of marketing automation flows, mainly dedicated to medium-to large corporates. Indeed, the aim of MailUp Group is to scale up and increase the ARPU from clients by feeding them with more tailor-made services.
- ◆ **Customer data platform** to combine data collected from different sources, i.e. internal data (such as CRM, email, social), and external ones (such as weather forecasts, demographic data, traffic information, etc.) to create 360-degree customer profiles aimed at building optimized customer journeys and personalized marketing approaches.

Group services provided by different but synergic legal entities

The current organizational structure involves one parent company and five business units. The parent company (i.e. the holding) provides centralized services to all legal entities in terms of business strategy, M&A and fund-raising operations, IT and administration activities as well as HR and legal support.

Companies within the group share know-how, providing valuable advantages to every member of the organization and making easier the generation of cross selling opportunities / costs synergies.

MailUp Group: Synergies among the various business units



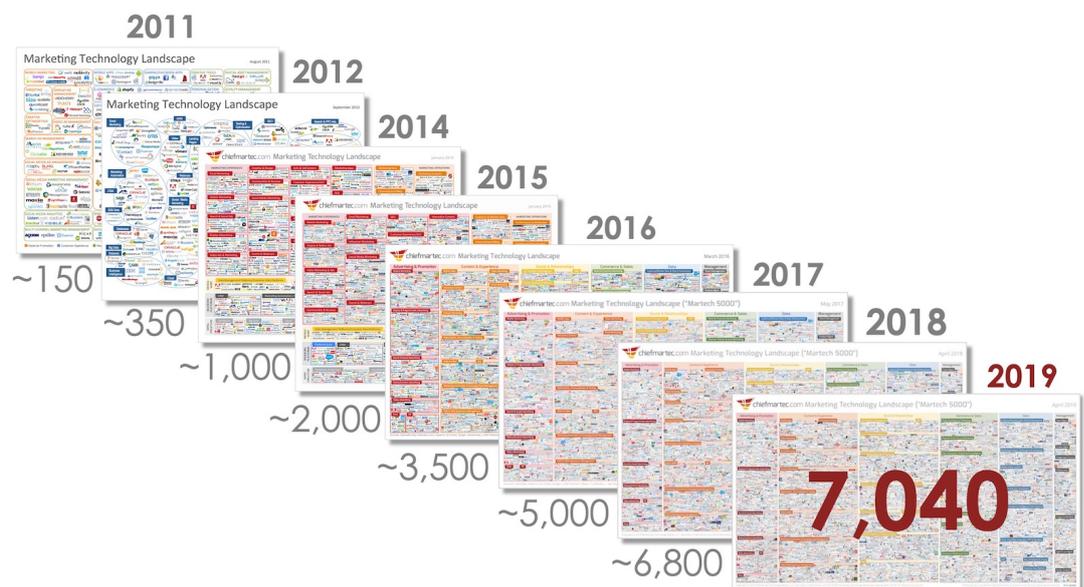
Source: MailUp Group

A leading position in a exponentially growing reference market

The Marketing technology sector, usually referred to as “**MarTech**”, is an ecosystem of cloud solutions and technological applications aimed at supporting companies in the development and implementation of their digital marketing strategies and is without any doubt one of the “hottest” sectors worldwide, currently.

MarTech accounted for ca. 6,800 solutions as of the end of 2018 compared to ca. 150 as of 2011 and 5,000 as of 2017. Although the YoY growth is currently slowing down (a kind of large number inevitability), according to the latest updated version of Chiefmartec, in 2019 the MarTech landscape has reached its new peak, that is more than 7,000 marketing technology solution available.

Around 7,000 marketing technology solutions in 2019



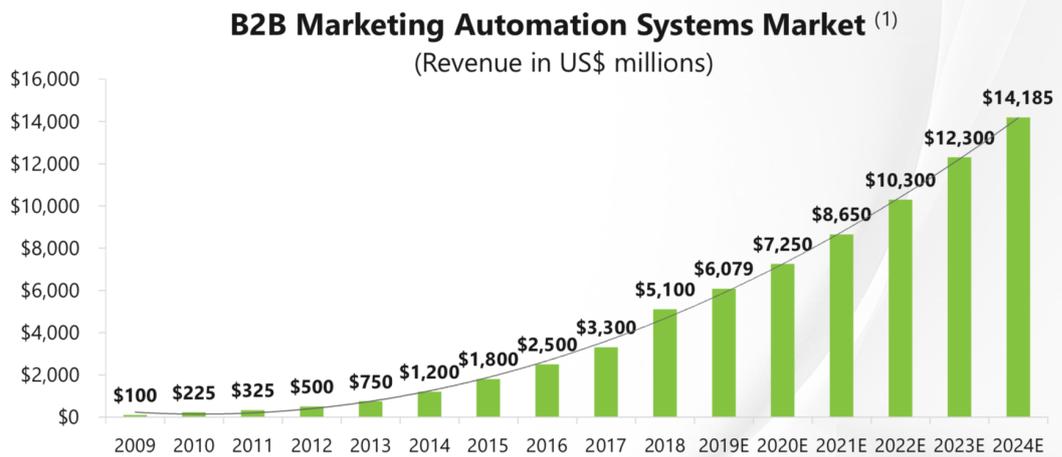
Source: Chiefmartec.com

Within such a complex, segmented and evolving framework, the segments that are more appropriate to consider in relation to MailUp Group’s activity relate to:

- ◆ **e-mails and text messages**, since they are still the most used tools by marketers, and together with social media are considered the fastest-growing marketing tools, also thanks to the effectiveness deriving from the combined use in marketing strategies. In other words, multi-channelling is becoming a “rule” for all digital marketing professionals looking for strategies able to assemble different communication channels in order to customize the customer journey and meet customer’s needs;
- ◆ **Automation**: much of the Martech industry focuses on this overall aim of automating parts of the marketing process to improve efficiencies, and for this reason is expected to play a significant role in the future, benefitting from the gradual automation process across different brands.

Just as an example of this growth potential comes from SharpSpring (a leader firm in the marketing automation field) that recently released a forecast of its “niche”, expected to increase at a 18.6% CAGR by 2024E, i.e. moving from \$5bn of 2018 to \$14.2bn as of 2024E.

B2B marketing automation Systems markets

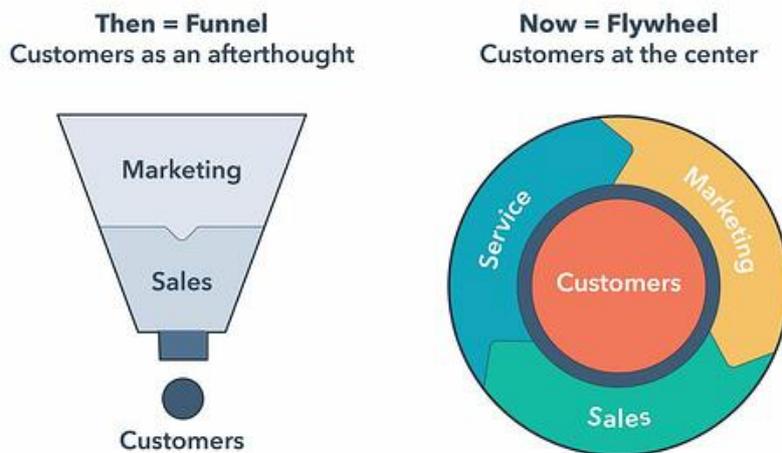


Source: SharpSpring Inc

- ◆ **Data** is the fuel for Martech and the increasing interest in Customer Data Platforms is a proof, with the number of marketers using CDP more than doubling year-on-year (Source: Gartner, 2018), and the number of vendors continuing to grow, reaching 78 units (Source: Customer Data Institute, January 2019) and a total turnover expected to exceed \$1bn in 2019.

CDPs build customer profiles by integrating data from a variety of first-, second-, and third-party sources, including the CRM and the DMP, transactional systems, web forms, email and social - media activity, website and e-commerce behavioral data. The CDP informs people-based marketing, putting the customer at the center.

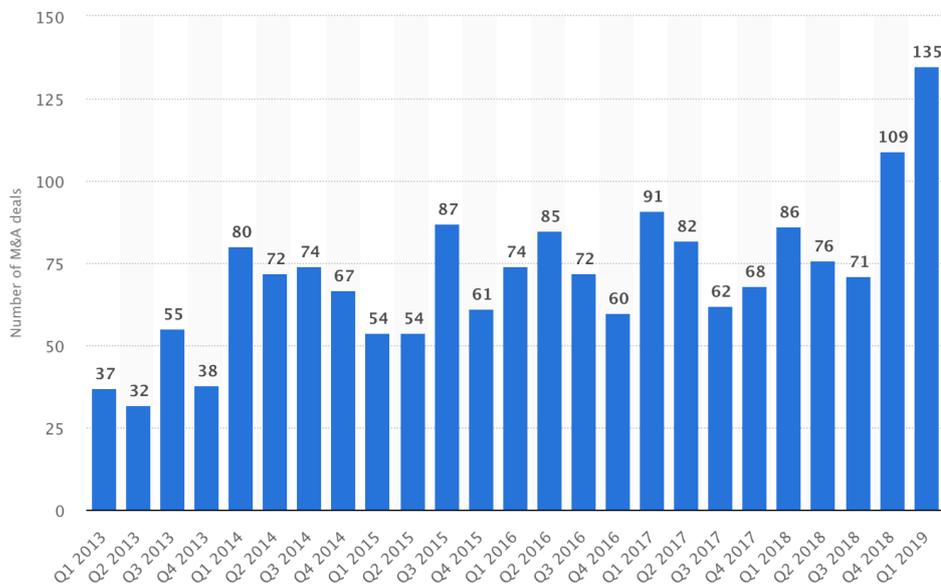
B2B marketing automation systems



Source: Hubspot Inc

- ◆ **M&A activities** remain sound, with the sector achieving an all-time high number of M&A deals, (235 in 1H19 for a total US\$13.7bn counter value, +43% YoY) and leading players progressively integrating in their “suites” new functionalities developed outside. A few recent examples of the hype for M&A are the merge between two US leading players Twilio and Sendgrid, with the latter valued at ca. 10x Revenues, and the US\$4.4bn acquisition of MarTech player Epsilon by Publicis.

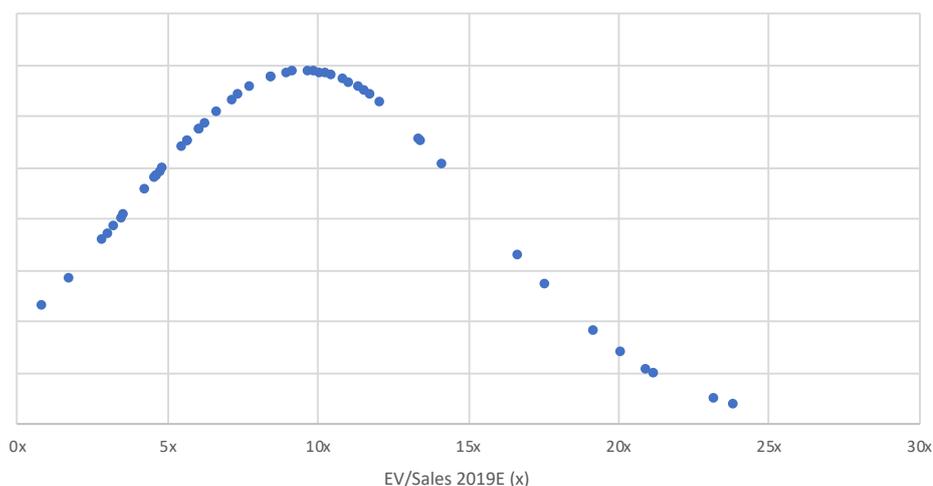
Number of M&A deals in the MarTech space achieving all-time high



Source: Statista

The hype of this sector is further fueling valuations as highlighted by the evolution of the BVP Nasdaq Emerging Cloud index, designed to track the performance of emerging public companies primarily involved in providing cloud software to their customers. Average EV/Sales 2019E stands in the 10x region with players also trading at 25x plus (e.g. Shopify).

BVP Cloud Index: EV/Sales 2019E distribution curve



Source: Bessemer Venture Partners

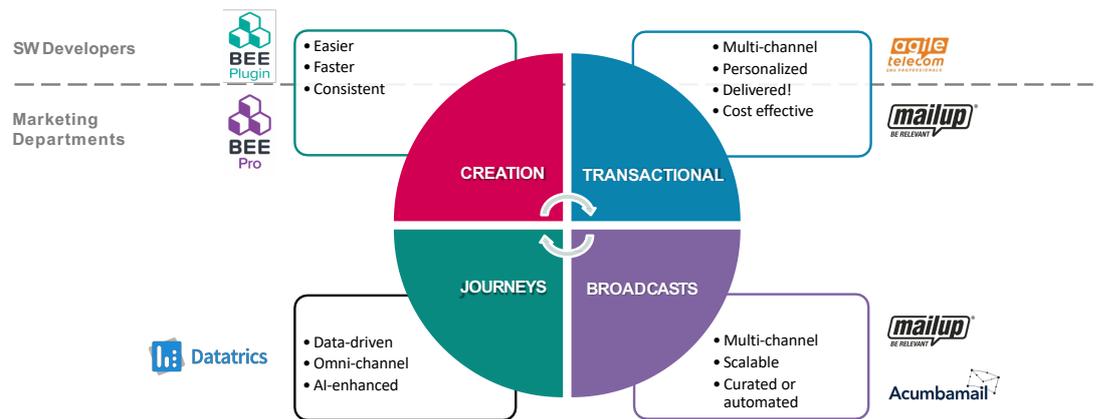
Definitively well equipped to address the needs of marketers in 2019

The most relevant needs that digital marketers and software developers are currently facing rely heavily on the following items:

- ◆ **Creation** of templates for receipts, newsletter, welcome series, etc;
- ◆ **Send messages** both for marketing and transactional purposes (notices, order receipts, password reminders, ...);
- ◆ **Engage** prospects & customers during their personal journey;
- ◆ **Send broadcasts** (promos, newsletter, blog updates and so on).

In such context, MailUp Group is well positioned thanks to a state-of-the-art offer mix of solutions and capabilities either developed in house (e.g. BEE, MailUp) or acquired outside (Agile Telecom, Datatrics).

MailUp Group: a mix of solution to meet marketers needs



Source: MailUp Group

A proof of the MailUp Group good positioning to surf the latest evolutionary trends of this fast-changing industry has also emerged in our analysis about the main goals marketers are expected to achieve in 2019 (for further info, please view our in-depth analysis published back as of February 2019).

Indeed, combining marketers needs with the specific solution currently the Group may provide, we found that the Group is able to offer the right solution for help marketers in achieving their goals, albeit a carefully acquisition in the AdTech space could further strengthen the completeness of its offer.

MarTech: Main trends of 2019 and MailUp positioning

	Which are the main goals for marketers?	How can MarTech provider help marketers achieve their main goals?	MailUp Group offer
1	Increasing their return on marketing investments by improving conversion rates and reducing cost per contact	1) Offering solutions based on advanced enabling technologies (e.g. Editors, Customer Data Platforms – CDP, Demand Side Platforms – DSP, Advertising Retargeting Platforms) in order to deliver a hyper-personalized experience to customers	✓✓ CDP - Datatrics ✓✓ Email editor - BEE ✗ DSP / AdTech – “Work in progress”
		2) Integrating more and more channels / media i.e. email, SMS, Social Networks, Instant Messaging and developing Marketing Automation features in order to reach customers on every possible media used	✓✓ ESP – MailUp, Acumbamail ✓✓ SMS - Agile Telecom ✓✓ IM - MailUp (Instant Messaging Apps)
2	Not getting crazy with all new solutions available on the market	Integrating their products / tools in a homogenous MarTech suite or offering more and more professional services to allow marketers build their own “stack” by cherry picking tools / solutions from different providers	✓✗ Professional consulting services – MailUp, Globase
3	Being compliant with regulation	Offering solutions aimed at moving from DMP (Data Management Platforms) based only on 3 rd party data to CDP developed in line with GDPR	✓✓ Compliant with GDPR
4	Granting to actual and prospect clients a safe and secure digital experience	Delivering two-factor authentication (2FA) / One-time password (OTP) via app, SMS or by a physical security key (token)	✓✓ SMS – Agile Telecom ✗ 3 rd party apps ✗ App - based push notification

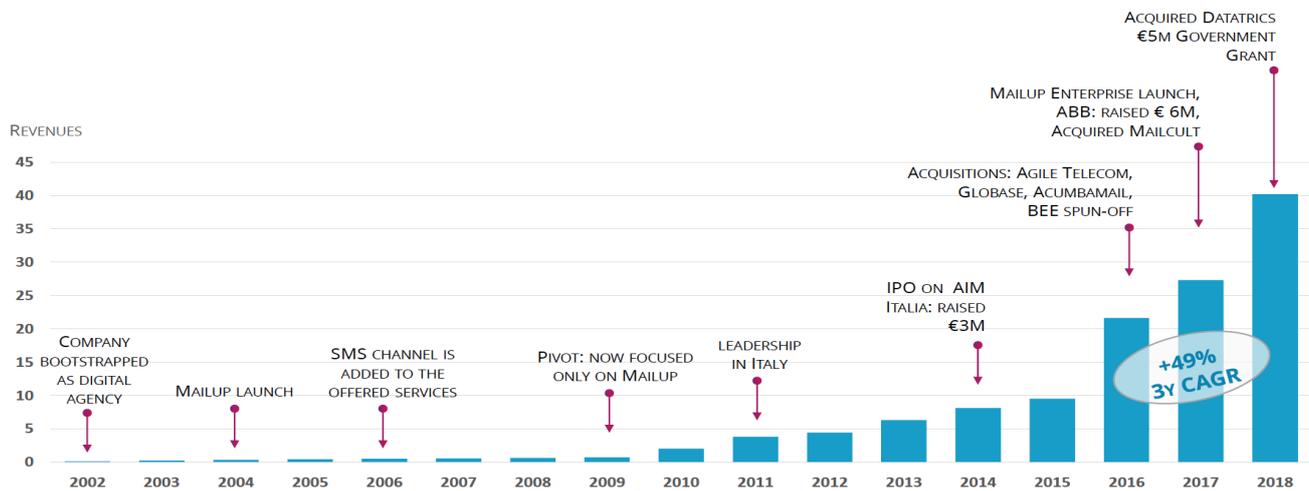
Source: Value Track Analysis

Delivering robust industrial and financial results

In our opinion, key success factors of MailUp Group are both the ability in scouting / integrating acquired companies and the continuous development of innovative in-house solutions, in a fast-changing reference market where “staying ahead of the curve” is a necessity to survive.

A clear proof of these capabilities is demonstrated by top line dynamics: Total turnover moved from €9.5mn as of 2014 to €40.2mn as of 2018, highlighting a 3yr CAGR₁₅₋₁₈ of 49% (i.e. revenues almost increased fourfold in just four years).

MailUp Group: Turnover and profitability (EBITDA) path over the last 5 years



Source: MailUp Group

Industrial performance: The perfect mix of organic and external growth

MailUp Group was listed on the Italian AIM stock market in 2014, with the aim of fostering its growth especially abroad and via acquisitions.

Indeed, as promised, all proceeds from IPO have been invested in the 2015-16 period, by finalizing three successful acquisitions:

- ◆ AcumbaMail, the Spain-based email and mobile messaging provider;
- ◆ Agile Telecom, the Italian based SMS delivery platform, and;
- ◆ Globase, a small player active in the Nordics with a focus on high-end professional services.

This trend has also continued also in the latest years, as demonstrated by the acquihire of Mailcult and the 2018 acquisition of Datatrics, the SaaS CDP developed in Netherlands.

At the same time, the Group has been always focused on the organic development of innovative tools and solutions for its customers, adding new modules / tools to the already diversified portfolio, boosting ARPU across all businesses and avoiding competition by commoditization effect. (i.e. scaling up from mere service provider to consultancy advisor in the MarTech field, providing more and more professional services to current domestic customers).

The take up of Bee and Datatrics is, in our view, particularly noteworthy and deserve some details.

Next jewel of the crown #1: Bee – the in house email editor

Organised according to the dual company model, with business team in USA and technological team in Italy, the American start-up based in Silicon Valley focuses its activities on the development and commercialization of the email editing tool BEE (i.e. innovative tool for the creation of emails and landing pages).

BEE is a sophisticated but user-friendly tool to create email messages that can be used to send a company newsletter, announce a new product, promote a sale or other commercial activities. Indeed, despite the fact that it doesn't require any single line of programming code to users, it allows marketers to personalize their marketing campaign via the creation of "responsive" emails, compatible with smartphones and tablets. Today BEE is a successful product, chosen by close to 4k developers/SAAS applications and 5k email designers in 100+ countries, judged one of the most interesting innovations in the email-marketing sector.

Moving to financial figures, the Silicon Valley based start-up is showing a **2x growth also in 2Q19**, and a significant contribute also in terms of profitability, resulting from a sound growth in all business KPIs: (i) customers acquisition improvement, (ii) customers churn reduction, and (iii) Month on Month Revenues increase.

BEE: Quarterly evolution of revenues

(€mn)	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19
Revenues	0.240	0.335	0.392	0.468	0.496	0.690

Source: MailUp Group, Value Track analysis

Worthy to note, BEE is due to keep growing fast also in the next future driven by new features such as the landing page editor, and by the transformation into a platform where third parties can install their add-ins. This move should make BEE even more competitive on a global scale.

Next jewel of the crown #2: Datatrics – one of the 78 CDP vendors currently available

Just one year ago, MailUp Group has finalized the acquisition of Datatrics, the Dutch Customer Data Platform that in 2017 has launched an innovative "artificial intelligence" based platform that allows **marketers to combine data collected from different sources**, i.e. **internal data** (such as CRM, email, social), and **external ones** (such as weather forecasts, demographic data, traffic information, etc.), creating 360-degree customer profiles aimed at building an optimized and personalized marketing approach that delivers the most relevant content to final customers thus boosting conversion rates and ROI.

At the end of June 2018, Datatrics boasted ca. 100 Europe-wide, including Tier 1 names such as KLM, Siemens, PostNL, Mitsubishi, British Petroleum, with Annual Recurring Revenue (ARR) per client at ca. €12,000.

Nowadays, less than one year from the closing announcement, **services provided by the DCP are delivered to more than 240 clients** - of which ca. 40 Italian based as result of the upselling activities exploited MailUp Spa and indirectly through several digital agencies - **showing a total Monthly Recurring Revenue (MRR) in excess of €200K** at the end of June 2019. Said in a different way, the customer base has been more than doubled, even if the implied ARR seems to be slight lower, mainly due to a more flexible price-list available on the Italian market.

Moving to financial figures, even if a YoY comparison is not possible (i.e. it has consolidated as of January 2019), **Datatrics' topline is likely almost doubled YoY**.

Last but not least, the CDP has been also tested internally by MailUp and BEE, with both business units that are have recorded an increase in conversion rate of around 60%!

MailUp Group: A sound 1H 19 financial performance

As far as MailUp Group's IAS / IFRS based 1H19 figures are concerned, they underline as well an extremely positive performance, substantially in line with our previous FY19E estimates if we adjust for non-recurring effects and accounting discontinuities:

- ◆ A retroactive one off €0.67mn charge related to the purchase of telecom services back in 2018 and not invoiced yet by the supplier;
- ◆ The introduction of IFRS16 that positively impacted EBITDA by €0.33mn (but nothing at the EBIT and Net Profit level).

That said, Top line grew at ca. 63% YoY while Net Profit, adjusted for extraordinary items, grew ca. 80% YoY. In addition, the company posted a positive free cash flow generation (ex IFRS16 effect) and maintained its "usual" Net Cash position.

MailUp Group: 1H19 Key Financial Items

(€mn)	1H18	1H19	Change YoY
Total Revenues i.e. Value of Production	18.03	29.31	62.5%
Reported EBITDA	1.87	2.14	14.9%
Adjusted EBITDA	1.87	2.48	33.0%
Reported Net Profit	0.51	0.41	-19.9%
Adjusted Net Profit	0.51	0.92	78.5%
Net Fin. Position [Net debt (-) / Cash (+)]	8.94	4.38	
Net Fin. Position [Net debt (-) / Cash (+)] ex IFRS16	8.94	6.82	

Source: MailUp Group, Value Track analysis

Top line strongly up

Top Line was up ca +63% YoY at €29.3mn, thanks to a generalized high double-digit growth across almost all legal entities. The highest growth rate in percentage terms was shown by BEE, the Silicon Valley start-up company, which grew more than 146% YoY. In terms of absolute value, the highest contribution to growth was, as usual, provided by the mobile messaging player Agile Telecom, whose top line grew by roughly €9mn YoY.

Worthy to note, also the newly consolidated Datatrics posted a very strong growth, while Globase is now included in MailUp SpA.

MailUp Group: 1H19 third parties Revenues breakdown by legal entity

€ mn	1H18	1H19	Change YoY (%)
MailUp Spa	6.59	7.23	9.6%
Agile Telecom	10.17	19.1	87.6%
Acumbamail	0.42	0.57	36.5%
BEE	0.43	1.05	146.6%
Datatrics	--	0.92	n.m.
Holding centre	0.35	0.46	33.8%
Total	18.03	29.31	62.5%

Source: MailUp Group, Value Track Analysis

Focusing on Revenues breakdown by business segments, the highest growth rates were recorded in the SMS channel, as well as by the professional services activity which also included the on-demand consulting for customisation and training on the Group platforms.

MailUp Group: 1H19 third parties Revenues breakdown by business segment

€ mn	1H18	1H19	Change YoY (%)
Email (incl. Email editor)	5.49	6.34	15.3%
SMS	11.95	20.84	74.3%
Professional Services	0.24	0.35	45.4%
Predictive Marketing	--	0.85	n.m.
Other Revenues	0.35	0.93	168.6%
Total	18.03	29.31	62.5%

Source: MailUp Group, Value Track Analysis

EBITDA analysis

Group Reported EBITDA was around €2.1mn in the first half of the year, up +20% YoY with Reported EBITDA margin down to 7.3% from 10.4% as of 1H18.

On an adjusted basis we calculate EBITDA +33% YoY at €2.5mn, i.e. 8.5% Adjusted EBITDA margin.

As far as the various business units are concerned, we note some opposite trends that contributed to Group profitability partially offsetting each other:

- ◆ Agile Telecom has posted a decreasing EBITDA even on a like-for-like basis due to some suppliers applying unexpected price increases (something that we expect being partially solved in 2H19) while Datatrics Italia start-up has obviously implied some operating losses;
- ◆ Other units such as Acumbamail, MailUp, BEE have all posted very interesting margins improvement, with a profitability of additional revenues standing in the 30% region.

MailUp Group: 1H19 EBITDA and EBITDA margin breakdown

	EBITDA (€k)			EBITDA Margin (%)		
	1H18	1H19	Chg. YoY	1H18	1H19	Chg. YoY
MailUp	986	1,190	21%	15.0%	16.5%	145 bps
Agile Tlc.	1,259	784	-38%	12.4%	4.1%	-827 bps
Acumbamail (*)	150	121	-19%	30.2%	21.3%	-890 bps
BEE	99	321	225%	23.2%	30.6%	735 bps
Datatrics	--	-279		n.a.	< 0	n.a.
Holding	-629	6	101%	n.m.	n.m.	n.m.
Group EBITDA	1,865	2,144	15%	10.4%	7.3%	-310 bps
Agile Tlc. Adj.	1,259	1,454	18%	12.4%	7.6%	-480 bps
IFRS16		-333				
Group EBITDA Adj.	1,865	2,481	33%	10.0%	8.5%	-150 bps

Source: MailUp Group, Value Track Analysis

(*) Net of changes in revenues recognition policy, 1H19 Revenues are up +36.5% YoY and EBITDA is up +73.4% YoY

From EBITDA to Net Profit

Below the EBITDA line there's nothing to underline but for the higher D&A charge (IFRS16 effect). Overall, Adjusted Net Profit resulted to be €0.92mn i.e. a ca. 80% YoY increase.

MailUp Group: 1H19 from EBITDA to Net Profit

(€mn)	1H18	1H19	Change YoY
EBITDA Adjusted	1.87	2.48	33.0%
TLC supplier one off charge	--	-0.67	n.m.
IFRS16 effect	--	0.33	n.m.
Reported EBITDA	1.87	2.14	14.9%
Amortisation & Depreciation	-0.86	-1.33	55.5%
Reported EBIT	1.01	0.81	-19.6%
Net financial income/expenditure	0.01	-0.02	n.m.
Pre-Tax Profit	1.02	0.79	-22.9%
Income Taxes	-0.51	-0.38	-25.8%
Net Profit (Loss)	0.51	0.41	-19.9%
Adj. Net Profit	0.51	0.92	78.5%

Source: MailUp Group, Value Track analysis

Balance Sheet and Cash Flow

As of the end of June 2019 MailUp's Net Cash position stand at ca. €6.8mn (€4.4mn post IFRS16 effect), compared to €6.4mn as of the end of 2018FY and to €8.9mn as of end of June 2018.

This means that the company has kept generating positive free cash flow in 1H19 despite €1mn financial investments (earn out on Agile Telecom) and the capex needed to refurbish new headquarter offices.

Indeed, we calculate OpFCF b.t standing at ca. €1.5mn in 1H19, i.e. ca. 68% of Reported EBITDA.

MailUp Group: 1H19 Balance Sheet

€ mn	1H18	2H18	1H19
Net Fixed assets	15.15	24.03	24.43
Net Working Capital	-8.18	-10.71	-10.25
Severance pay and funds	1.36	-1.76	-2.12
Total Capital Employed	5.61	9.56	12.06
Group Net Equity	14.55	15.93	16.44
Net Fin. Position [Net debt (-) / Cash (+)]	8.94	6.37	4.38
Net Fin. Position ex IFRS16 effect	8.94	6.37	6.82

Source: MailUp Group, Value Track Analysis

MailUp Group: 1H19 Cash Flow Statement

€ mn	1H18	1H19
EBITDA	1.87	2.14
Op. WC requirements	0.56	-0.45
Capex	-0.99	-0.49
Change in provisions / Other	0.19	0.26
OpFCF b.t.	1.63	1.46
As a % of EBITDA	87.4%	68.2%
Cash Taxes	0.00	-0.02
OpFCF a.t.	1.63	1.44
Cash out for acquisitions (Agile Tlc, Datatrics)	0.00	-0.97
Net Financial Charges	0.01	-0.02
Other (incl. IFRS16)	0.04	-2.44
Change in Reported Net Fin Position	1.69	-1.99
Change in Reported Net Fin Position ex IFRS16	1.69	0.45

Source: MailUp Group, Value Track Analysis

Updating 2019E-20E estimates

We are just fine-tuning our 2019E-20E estimates with respect to the previous ones published in our latest flash note published back as of July 11st, taking into account:

- ◆ **The implementation of new leases standard – IFRS 16**, incorporating the full impact on 2019E NFP, as well as the impact at EBITDA level for 2019E-onwards (lease charge);
- ◆ **A one off €0.67mn negative item to be charged in 2019E** related to the purchase of telecom services delivered back in 2018;

MailUp Group: New vs. Old estimates

€mn	2019E			2020E		
	Old	New	Chg. (%)	Old	New	Chg. (%)
Net Revenues	59.4	59.4	+0.0%	68.9	69.2	+0.4%
EBITDA Reported	5.2	4.8	-6.5%	7.0	7.3	+4.3%
<i>EBITDA margin (%)</i>	8.7%	8.1%	-56bps	10.2%	10.6%	+39bps
EBITDA Adj.	5.2	5.2	+0.0%	7.3	7.3	+0.0%
EBIT	3.3	2.6	-19.4%	4.8	4.8	-1.0%
<i>EBIT margin (%)</i>	5.5%	4.4%	-106bps	7.0%	6.9%	-10bps
Net Profit Reported	2.1	1.6	-22.1%	3.2	3.2	+0.0%
Net Profit Adj.	2.1	2.1	+0.0%	3.2	3.2	+0.0%
OpFCF a.t.	2.3	2.1	-10.8%	3.0	3.1	+4.6%
Net Cash Position post IFRS16	4.2	3.9	n.m.	7.3	7.1	n.m.

Source: Value Track Analysis

In details, our 2019E-20E estimates are based on the following key points:

- ◆ Agile Telecom now weighs about two thirds of MailUp Group revenues and should keep growing at a healthy and sound pace, albeit slightly diluting group's marginality (as a % of revenues) due to its aggressive pricing policy (i.e. such market is highly price oriented);
- ◆ BEE and Datatrics are expected to accelerate, with CDP and email editor tools expected to weight around 12% total revenues in 2020E, and to positively contribute to consolidated earnings;
- ◆ MailUp Spa and Acumbamail should experience lower growth rates, however still in the double-digit field.

MailUp Group: 2019E Revenues breakdown by legal entity and by service

€ mn	MailUp Spa	Agile	BEE	Acumbamail	Datatrics	Aggregate
Mail	10.2			1.2		11.5
SMS	4.0	38.5				42.5
Email Editor			2.5			2.5
CDP	0.5				2.0	2.5
Prof. Services	0.5					0.5
Total	15.2	38.5	2.5	1.2	2.0	59.4

Source: MailUp Group, Value Track Analysis

MailUp: P&L figures 2017A-20E

€mn (*)	2017A	2018A	2019E	2020E
Group Revenues from sales	26.4	39.0	59.4	69.2
Cost of sales (net of Other revenues)	-16.2	-25.7	-41.6	-46.0
Labour costs	-7.4	-9.5	-13.0	-15.9
EBITDA	2.9	3.8	4.8	7.3
<i>EBITDA margin (%)</i>	<i>10.9%</i>	<i>9.7%</i>	<i>8.1%</i>	<i>10.6%</i>
EBITDA Adj. (*)	2.9	3.8	5.2	7.3
Depreciation & Amortization	-1.6	-1.9	-2.2	-2.6
EBIT	1.3	1.9	2.6	4.8
<i>EBIT margin (%)</i>	<i>4.8%</i>	<i>4.9%</i>	<i>4.4%</i>	<i>6.9%</i>
Net Fin.Income (charges)	-0.1	0.0	-0.1	0.2
Pre-tax Profit	1.2	1.9	2.6	4.9
Tax	-0.6	-0.7	-1.0	-1.8
Reported Net Profit	0.6	1.3	1.6	3.2
Adjusted Net Profit	0.6	1.4	2.1	3.2

Source: MailUp (historical figures), Value Track (forecasts) (*) Adjusted for TLC supplier one-off charge and IFRS16 effect

MailUp: Balance Sheet figures 2017A-20E

€mn	2017A	2018A	2019E	2020E
Net Working Capital	-7.1	-10.7	-10.8	-10.3
Net Fixed Assets	15.0	22.0	26.3	25.9
Provisions	1.2	1.8	1.9	2.0
Total Capital Employed	6.7	9.6	13.7	13.6
Group Net Equity	13.9	15.9	17.5	20.7
Net Fin. Position [i.e. Net Debt (-) Cash (+)]	7.3	6.4	3.9	7.1

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

MailUp: Balance Sheet figures 2017A-20E

€mn	2017A	2018A	2019E	2020E
EBITDA	2.9	3.8	4.8	7.3
Working Capital Change	1.3	-1.2	0.1	-0.5
Capex	-2.0	-1.2	-2.0	-2.1
Change in Provisions	0.4	0.4	0.1	0.2
Cash Taxes	-0.5	-0.7	-1.0	-1.8
OpFCF a.t.	2.1	1.1	2.1	3.1
Capital Injections	5.9	0.0	0.0	0.0
Other Op. Items (incl. Fin. Inv & IFRS 16)	-1.6	-2.0	-4.5	0.0
Net Financial Charges	-0.1	0.0	-0.1	0.2
Net Cash generated	6.3	-0.9	-2.5	3.3

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

Valuation Update

We confirm our fair value to **€4.40 per share**, that comes out from the Sum-of-the-Parts valuation, after cross-checking for implied market multiples related to main international and domestic comparable firms. With regard the sum of the parts valuation, we are assuming:

- ◆ An unchanged multiple 1.0x EV/Sales for Agile Telecom, but we remind that an Italian company involved in SMS business recently agreed a business combination in the USA at ca. 1.5x EV/Sales;
- ◆ Unchanged EV/Sales multiples for MailUp business unit (1.5x), BEE (5.0x), Acumbamail (3.0x);
- ◆ Datatrics to be considered at acquisition cost due to its early stage profile.

We underline that at fair value MailUp shares would trade in line with **small-medium sized “digital” companies listed on AIM Italia stock market** while as always, the discount vs. International marketing technology providers would remain massive.

MailUp Group: Sum-of-the-Parts valuation

Company	Stake (%)	EV Pro-Quota, (€mn)	EV p.s. (€)	% of Gross Asset Value	Valuation Method
MailUp SpA	100%	22.9	1.53	28%	1.5x EV/Sales '19
Agile Telecom	100%	39.5	2.62	48%	1.0x EV/Sales '19
MailUp Inc / BEE	100%	12.5	0.84	15%	5.0x EV/Sales '19
Acumbamail	100%	3.7	0.25	5%	3.0x EV/Sales '19
Datatrics	100%	3.8	0.25	5%	Acquisition price
Gross Asset Value		82.4	5.50		
Group Net Cash Position '19PF (*)		2.3	0.16		
€2.2mn Corp. Costs capital. @11.7% WACC		-18.8	-1.26		
Net Asset Value		65.9	4.40		

Source: Value Track Analysis

(*) Pro-Forma to take into account the entire €3.8mn cash out for Datatrics

MailUp Group: Stock trading multiples at market price and at fair value

	EV / Sales (x)		EV / EBITDA (x)	
	2019E	2020E	2019E	2020E
MailUp Group @ €4.04 Market Price	1.0	0.8	11.7	7.3
MailUp Group @ €4.40 Fair value	1.0	0.8	12.8	8.0

Source: Value Track analysis

MailUp: Peers' stock trading multiples 2019E

Cluster	EV / Sales (x)		EV / EBITDA (x)	
	2019E	2020E	2019E	2019E
International industry players				
Median	6.8	5.6	16.9	14.6
Average	7.1	5.7	19.4	16.0
AIM Italia digital industry players				
Median	1.5	1.2	7.7	5.5
Average	1.8	1.3	9.2	6.6
Overall values				
Median	2.9	2.1	10.0	7.0

Source: Market Consensus, Value Track Analysis

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