

Italy – Marketing Technology

Good Q1 numbers, not representative of full year results

14th May 2020

Q1-20 RESULTS RELEASE

RIC: MAIL.MI
BBG: MAIL IM

A good set of results, with solid organic growth although margins are not evocative of full year performance. MailUp remains a fairly priced high-quality company and a rather resilient player in the current market turmoil.

Rating:

NEUTRAL

Price Target:

€ 4.60

Upside/(Downside): –

Last Price: € 4.60

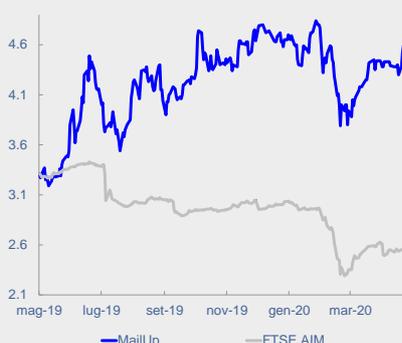
Market Cap.: € 69.1m

1Y High/Low: € 4.97 / € 3.06

Free Float: 36.4%

Major shareholders:

Alberto Miscia	10.8%
Matteo Monfredini	10.7%
Nazzareno Gorni	10.6%
Luca Azzali	10.6%
Matteo Bettoni	10.1%



Estimates, PT and rating confirmed

Following Q1-20 results release we left our estimates unchanged. Q1 is not particularly representative of the full year in terms of margins and it was only partially affected by the enduring economic slowdown stemming from COVID-19 pandemic. We believe Q2 will be a good *litmus test* for the business, as in this period the acquisition process of new mid-large clients may well slow down, particularly in travel, retail and hospitality sectors. Nevertheless, on the back of its widespread client portfolio, the ample amount of recurring revenues (generally 1/3 of FY sales) stemming from its SaaS business model and the ability to operate at full capacity also in smart working mode, MailUp should not be particularly affected by this current weak scenario. We believe MailUp is a high-quality company, currently fair priced: estimates, rating and PT confirmed.

Q1-20 revenues grew by 18.6% YoY. Foreign sales were 51% of total

In Q1-20 revenues were € 15.8m, up 18.6% YoY, entirely organic. Foreign sales accounted for 51% of the total. Email, the steadiest business line of the group, totalled € 3.8m, up 21.3% YoY, with a massive contribution of BEE (up 79.3% YoY at € 0.9m). SMS, the most dynamic, volatile and highly price-oriented segment, increased by 15.3% YoY at € 10.9m. Agile Telecom totalled € 10.5m, up 14.7% YoY. Predictive marketing more than doubled its turnover, growing by 124.3% YoY at € 0.8m, mainly thanks to Datatrics performance (€ 0.8m, up 94.3% YoY). Professional services sales were in line with previous year at € 0.2m.

Q1 margins are not representative of the full year

EBITDA was € 0.5m, 3.4% margin, vs 3.6% in Q1-19. In Q1-20 margins were only partially affected by the impact of the economic slowdown stemming from the COVID-19 emergency: the acquisition process of particular clients, namely firms operating in travel, retail and hospitality sectors, is unquestionably stuck. On the other hand, the group decided to not suspend or postpone the strategic investments and projects already planned, with a consequent material effect on the incidence of certain costs, namely sales & marketing and R&D. In addition, margins show a seasonal effect: costs and investments are accounted when they incurred while subscription fees release their positive effect in the course of the year. Net Financial Position improved to € 3.0m cash, vs € 2.4m cash at end-19, thanks to the positive operating cash flow generated by the group.

Medium term strategy confirmed despite the unavoidable impact of COVID-19

After the first-rate growth since its establishment, MailUp is now aiming at continuing its expansion and consolidating its competitive positioning in the reference market. The strategy is based on four pillars: 1) organic growth, expanding the range of technological solutions provided to the clients; 2) exploitation of the synergies stemming from the recent acquisitions; 3) technological innovation and R&D investments in order to carry out incremental development activities; 4) pursuing external growth opportunities.

MailUp, key financials and ratios

€ m	2018	2019	2020e	2021e	2022e
Total Revenues	40.2	60.8	68.0	79.0	89.2
EBITDA	3.8	4.8	4.9	6.8	8.1
EBIT	1.9	1.8	1.9	3.8	5.1
Net profit	1.3	1.2	1.2	2.4	3.2
NFP (cash)/debt	(6.4)	(2.4)	(1.6)	(3.8)	(6.3)
EBITDA margin	9.4%	7.9%	7.2%	8.6%	9.1%
EBIT margin	4.7%	3.0%	2.8%	4.8%	5.8%
EPS €	0.08	0.08	0.08	0.16	0.21
EPS growth	128.6%	-8.4%	4.5%	99.6%	34.5%
Free Cash Flow Yield	-0.3%	-2.3%	0.0%	3.2%	3.6%
PER x	26.4	60.0	57.4	28.8	21.4
PCF x	10.6	16.9	16.6	12.9	11.2
EV/Sales x	0.67	1.10	0.99	0.83	0.70
EV/EBITDA x	7.1	13.9	13.8	9.6	7.8
EV/EBIT x	14.1	36.1	34.8	17.1	12.2

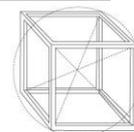
Stock price performance

	1M	3M	12M
Absolute	5.7%	-2.5%	47.0%
Rel.to AIM Italia	7.1%	11.5%	70.2%
Rel.to Peers median	-9.8%	5.0%	48.8%

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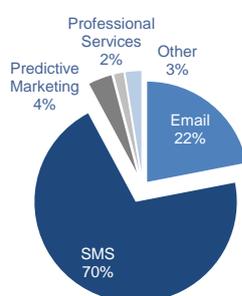
The Company at a Glance

Founded in Cremona (Italy) in 2002 as an email service provider, MailUp is now a leading international scale-up in the European Cloud Marketing Technologies market, one of the fastest growing industries worldwide. The group is a vertically integrated player focusing on messaging and data-driven/multi-channel marketing automation, providing over 23,000 clients in 115 countries with a wide range of solutions. MailUp develops and sells 1) technologies for the mass sending of emails and mobile messages, 2) sophisticated email and newsletter editing tools, 3) innovative technological solutions for predictive marketing and 4) professional consulting services.

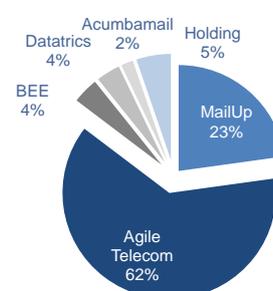
The group operates five synergic business units, corresponding to five different companies: MailUp, Agile Telecom, BEE, Datatrics and Acumbamail. The group achieved a significant growth path since its establishment: born as a start-up in 2002, MailUp closed FY-19 with revenues of € 60.8m, EBITDA of € 4.8m and over 240 employees. Since the IPO in 2014 the group's revenues increased by a CAGR₁₃₋₁₉ of 42.7%, thanks to organic growth boosted by a few acquisitions.

In 2019, revenues was € 60.8m, EBITDA reached € 4.8m, 7.9% margin. EBIT stood at € 1.8m and Net Income totalled € 1.2m. Net Financial Position was € 2.4m cash, thanks to huge cash-flow generation.

2019 breakdown by service...



... and by business unit



Shareholder structure

Shareholders	%	# m
Luca Azzoli	10.6%	1.589
Alberto Miscia	10.8%	1.623
Nazzareno Gorni	10.6%	1.587
Matteo Monfredini	10.7%	1.603
Matteo Bettoni	10.1%	1.505
Pronti Gianluca	6.1%	0.913
BMC Holding B.V. *	3.9%	0.588
Treasury shares	0.7%	0.112
Free Float	36.4%	5.451
o/w Employees	0.3%	0.040
Total	100.0%	14.971

* subject to lock-up (does not enter the free float)

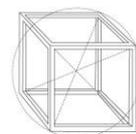
Peer group absolute performance

%	1D	1W	1M	3M	6M	YTD
dotDigital Group PLC	2.5	3.1	18.1	(7.5)	11.7	3.5
IMImobile PLC	0.0	0.5	3.7	(21.7)	4.4	(9.2)
Sinch AB (publ)	0.2	7.9	32.7	57.8	171.7	101.0
Vonage Holdings Corp	(2.5)	6.2	15.6	(3.9)	14.7	21.1
Mobile Messaging median	0.0	6.2	15.6	(3.9)	14.7	21.1
HubSpot Inc	(1.9)	0.4	30.3	(4.5)	24.1	11.0
Neosperience SpA	(2.7)	0.9	3.7	(9.8)	(17.3)	(17.8)
SharpSpring Inc	(0.6)	12.8	14.9	(38.1)	(20.8)	(31.6)
Predictive Marketing median	(1.9)	0.9	14.9	(9.8)	(17.3)	(17.8)
MailUp SpA	1.5	5.0	5.7	(2.5)	2.2	(2.7)

Peers group multiples table

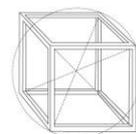
Price & EV multiples x	SALES FY1	SALES FY2	EBITDA FY1	EBITDA FY2	EBIT FY1	EBIT FY2	PER FY1	PER FY2
dotDigital Group PLC (Email Marketing)	5.70	4.98	14.9	13.9	17.7	14.7	23.3	23.0
IMImobile PLC	1.62	1.40	12.7	11.0	17.3	16.1	21.7	21.0
Sinch AB (publ)	5.49	4.39	46.7	34.7	64.1	43.7	101.4	63.6
Vonage Holdings Corp	2.20	2.01	17.3	16.1	34.2	32.5	52.4	50.9
Mobile Messaging median	2.20	2.01	17.3	16.1	34.2	32.5	52.4	50.9
HubSpot Inc	8.75	7.15	91.3	59.6	169.8	97.4	174.3	105.9
Neosperience SpA	1.82	1.24	7.2	4.8	10.0	5.9	38.5	16.9
SharpSpring Inc	n.a.	n.a.	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.
Predictive Marketing median	5.28	4.19	49.2	32.2	89.9	51.6	106.4	61.4
MailUp SpA	0.99	0.83	13.8	9.6	34.8	17.1	57.4	28.8

Source: CFO SIM, Thomson Reuters Eikon





Income statement (€ m)	2018	2019	2020e	2021e	2022e
Total revenues	40.2	60.8	68.0	79.0	89.2
Purchases	(22.7)	(35.9)	(39.5)	(45.0)	(50.8)
Services	(5.7)	(6.3)	(5.8)	(7.1)	(9.8)
Personnel expenses	(7.2)	(12.6)	(16.8)	(18.9)	(19.1)
Other opex	(0.9)	(1.2)	(1.0)	(1.2)	(1.3)
EBITDA	3.8	4.8	4.9	6.8	8.1
D&A	(1.9)	(2.9)	(3.0)	(3.0)	(3.0)
EBIT	1.9	1.8	1.9	3.8	5.1
Financials	0.0	(0.0)	(0.0)	(0.0)	(0.0)
Re/(Devaluation) of financial assets	0.0	0.0	0.0	0.0	0.0
Extraordinary	0.0	0.0	0.0	0.0	0.0
Pre-Tax profit	1.9	1.8	1.9	3.8	5.1
Income taxes	(0.7)	(0.7)	(0.7)	(1.4)	(1.9)
Minorities	0.0	0.0	0.0	0.0	0.0
Net Profit	1.3	1.2	1.2	2.4	3.2
Net Profit adj.	1.3	1.2	1.2	2.4	3.2
Balance sheet (€ m)	2018	2019	2020e	2021e	2022e
Net Working Capital	0.3	(1.7)	(0.6)	(0.9)	(1.0)
Net Fixed Assets	21.8	22.8	22.8	22.9	22.9
Equity Investments	0.1	0.2	0.2	0.2	0.2
Other M/L Term A/L	(12.7)	(6.7)	(5.9)	(5.5)	(4.6)
Net Invested Capital	9.6	14.6	16.6	16.8	17.5
Net Financial Position	(6.4)	(2.4)	(1.6)	(3.8)	(6.3)
Minorities	0.0	0.0	0.0	0.0	0.0
Group's Shareholders Equity	15.9	17.0	18.2	20.6	23.8
Financial Liabilities & Equity	9.6	14.6	16.6	16.8	17.5
Cash Flow statement (€ m)	2018	2019	2020e	2021e	2022e
Total net income	1.3	1.2	1.2	2.4	3.2
Depreciation	1.9	2.9	3.0	3.0	3.0
Other non-cash charges	1.3	(4.6)	(0.1)	(0.5)	(0.8)
Cash Flow from Oper. (CFO)	4.4	(0.5)	4.1	4.9	5.4
Change in NWC	(1.3)	2.0	(1.1)	0.3	0.1
FCF from Operations (FCFO)	3.1	1.5	3.0	5.2	5.5
Net Investments (CFI)	(5.2)	(5.4)	(3.7)	(3.0)	(3.0)
Free CF to the Firm (FCFF)	(2.1)	(3.9)	(0.8)	2.2	2.5
CF from financials (CFF)	(0.9)	5.2	(0.0)	0.0	0.0
Free Cash Flow to Equity (FCFE)	(3.0)	1.2	(0.8)	2.2	2.5
Financial ratios	2018	2019	2020e	2021e	2022e
EBITDA margin	9.4%	7.9%	7.2%	8.6%	9.1%
EBIT margin	4.7%	3.0%	2.8%	4.8%	5.8%
Net profit margin	3.1%	1.9%	1.8%	3.0%	3.6%
Tax rate	34.6%	36.9%	37.0%	37.0%	37.0%
Op NWC/Sales	0.7%	-2.8%	-0.9%	-1.1%	-1.1%
Interest coverage x	(0.01)	0.01	0.02	0.00	0.00
Net Debt/EBITDA x	(1.69)	(0.49)	(0.33)	(0.56)	(0.78)
Debt-to-Equity x	(0.40)	(0.14)	(0.09)	(0.18)	(0.26)
ROIC	13.1%	7.9%	7.3%	14.3%	18.4%
ROCE	9.7%	7.0%	6.9%	12.3%	14.9%
ROACE	9.9%	8.1%	7.1%	12.9%	15.7%
ROE	7.9%	6.8%	6.6%	11.7%	13.6%
Payout ratio	0.0%	0.0%	0.0%	0.0%	0.0%
Per share figures	2018	2019	2020e	2021e	2022e
Number of shares # m	14.93	14.97	14.97	14.97	14.97
Number of shares Fully Diluted # m	14.93	16.24	16.24	16.24	16.24
Average Number of shares Fully Diluted # m	14.55	15.58	16.24	16.24	16.24
EPS stated FD €	0.09	0.07	0.07	0.15	0.20
EPS adjusted FD €	0.09	0.07	0.07	0.15	0.20
EBITDA €	0.26	0.31	0.30	0.42	0.50
EBIT €	0.13	0.12	0.12	0.24	0.32
BV €	1.07	1.05	1.12	1.27	1.47
FCFO €	0.21	0.09	0.18	0.32	0.34
FCFF €	(0.14)	(0.25)	(0.05)	0.13	0.15
FCFE €	(0.21)	0.08	(0.05)	0.13	0.15
Dividend €	0.00	0.00	0.00	0.00	0.00



ANALYST CERTIFICATION

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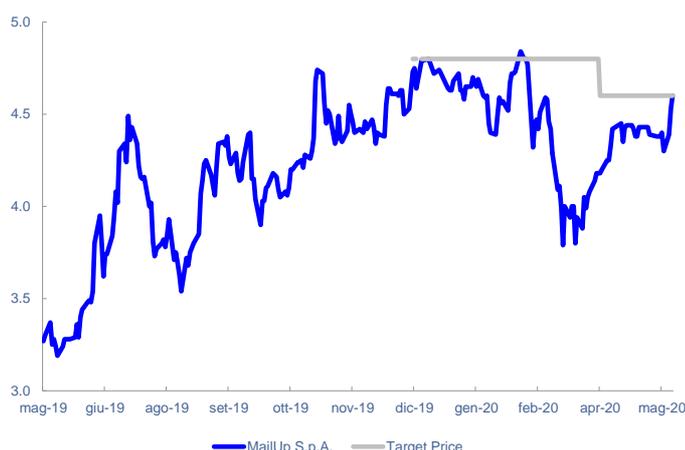
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DATE	TARGET PRICE	RATING
14/05/2020	€4.60	NEUTRAL
02/04/2020	€4.60	NEUTRAL
18/12/2019	€4.80	NEUTRAL

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- a **BUY** rating is assigned if the target price is at least 15% higher than the market price;
- a **SELL** rating is assigned if the target price is at least 15% lower than the market price;
- a **NEUTRAL** rating is assigned if the difference between the current price and target price lies within the +/-15% bands identified using the preceding criteria.

The rating is determined on the basis of the **expected absolute return 12 months forward** and not on the basis of the estimated out/underperformance relative to a market index. Thus, the rating can be directly linked with the estimated percentage difference between current price and target price. The prices of the financial securities mentioned in the report (also used for the calculation of market capitalisation and market multiples) are the reference prices of the stock market trading day preceding the publication date of the report, otherwise stated.

