

Italy – Marketing Technology

Estimates and PT upgraded: time to Buy

13th November 2020

Q3-20 RESULTS RELEASE

RIC: MAIL.MI
BBG: MAIL IM

MailUp reported a good set of results, unveiling some recovery of the SMS traffic and showing strong margin resilience despite a lower-than-expected growth rate. Since it operates in a rather defensive sector, the stock offers some protection to investor portfolios. In addition, the vast M&A firepower leaves room for external growth opportunities.

Rating:

Buy (Neutral)

Price Target:

€ 6.60 (6.30)

Upside/(Downside): 40.7%

Last Price: € 4.69

Market Cap.: € 70.1m

1Y High/Low: € 5.74 / € 3.45

Free Float: 36.6%

Major shareholders:

Alberto Miscia	10.9%
Matteo Monfredini	10.7%
Luca Azzali	10.7%
Nazzareno Gorni	10.6%
Matteo Bettoni	10.1%



Stock price performance

	1M	3M	12M
Absolute	-5.6%	-13.8%	4.2%
Rel.to FTSE AIM	-4.9%	-9.7%	21.1%
Rel.to Peers median	-13.5%	-28.4%	-54.8%

Analysts:

Luca Arena
+39 02 30343 395
luca.arena@cfosim.com

Gianluca Mozzali
+39 02 30343 396
gianluca.mozzali@cfosim.com

Estimate fine-tuned, new PT at € 6.60/s offers 40.7% upside: up to Buy

We have fine-tuned our model in order to factor in 1) lower top line growth on the back of lower-than-expected SMS traffic recovery, 2) certain issues concerning Datatrics due to its high exposure to the Travel, Retail & Hospitality sector, 3) an increase in margins stemming from a few optimisation and cost containment measures rather than from a different revenue mix and 4) a better cash generation thanks to excellent WC management. The combined result is a 2.9% and 6.3% increase in EBITDA and Net Profit in 2020-22, on average. We updated our PT to € 6.60/s (€ 6.30), 40.7% upside. MailUp is a high-quality company, with a solid, proven strategy. Once again it showed strong resilience in terms of margins coupled with excellent financial discipline. Thus, since the drop in the stock price after reaching its highs in late Aug-20 has magnified the potential upside to current price levels, we believe it's time to buy the shares. Recommendation upgraded to Buy (Neutral).

Q3-20 sales unveiled recovery in SMS traffic coupled with a positive trend of Email

Sales were € 16.2m, up by 13.1% YoY, driven by an increased turnover both in the Email (up 14.4% YoY) and SMS (up 13.8% YoY) divisions. Predictive Marketing's sales (down 5.9% YoY) were affected by Datatrics' high exposure to the Travel, Retail & Hospitality sector, heavily impacted by the COVID-19. In terms of business units, MailUp totalled € 3.8m, up 4.8% YoY. Agile Telecom turnover was € 10.7m, up by 13.3% YoY thanks to clear signs of recovery of the retail SMS traffic. BEE reached € 1.0m, up 40.4% YoY driven by the excellent performance of BEEPro. Datatrics declined by 30.3% YoY to € 0.4m mainly as a result of the COVID-19 outbreak. Acumbamail grew by 37.3% YoY, reaching € 0.4m.

Profitability improvement thanks to an increase in gross profit

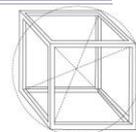
EBITDA totalled € 1.3m, 8.3% margin, up by 13.7% YoY mainly driven by increased gross profit (€ 5.0m, 31.0% margin, up 21.8% YoY) as a result of certain optimisation and cost containment measures. Furthermore, the group decided not to suspend or postpone the strategic investments already planned. Thus, the incidence of Sales & Marketing and R&D costs increased, these being the areas where the biggest investments are currently concentrated. Margins were also affected by a certain slowdown in the acquisition process of new mid-large clients and by the cancellation or postponement of marketing investments by several clients operating in the Travel, Retail & Hospitality sector.

9M-20 revenues were € 47.9m, up 9.7% YoY. NFP at € 2.1m cash

In 9M-20 total revenues increased by 9.7% YoY to € 47.9m, of which foreign revenues accounted for 54.4%. In term of business lines, Email totalled € 12.2m (up 17.9% YoY), SMS € 32.6m (up 6.5% YoY) and Predictive Marketing € 2.0m (up 35.4% YoY). EBITDA grew by 5.9% YoY to € 3.5m, 7.4% margin. NFP stood at € 2.1m cash (vs € 3.7m cash in H1-20). Historically the group has a non-favourable seasonality in Q3 as 1) in July the group pays the 14th month salary to Italian employees and 2) there is a certain slowdown in receipts in the summer period. Cash and cash equivalents accounted for € 10.1m.

MailUp, key financials and ratios

€ m	2018	2019	2020e	2021e	2022e
Total Revenues	40.2	60.8	66.0	75.7	85.0
EBITDA	3.8	4.8	5.0	7.0	8.4
EBIT	1.9	1.8	2.0	4.1	5.4
Net profit	1.3	1.2	1.3	2.6	3.4
NFP (cash)/debt	(6.4)	(2.4)	(3.1)	(6.0)	(9.7)
EBITDA margin	9.4%	7.9%	7.6%	9.3%	9.9%
EBIT margin	4.7%	3.0%	3.1%	5.4%	6.4%
EPS €	0.08	0.08	0.09	0.17	0.23
EPS growth	128.6%	-8.4%	10.5%	102.1%	33.7%
Free Cash Flow Yield	-0.3%	4.2%	2.1%	4.1%	5.3%
PER x	26.4	60.9	55.1	27.3	20.4
PCF x	10.6	17.1	16.6	12.7	11.0
EV/Sales x	0.67	1.11	1.02	0.85	0.71
EV/EBITDA x	7.1	14.1	13.4	9.1	7.2
EV/EBIT x	14.1	36.6	32.8	15.7	11.1



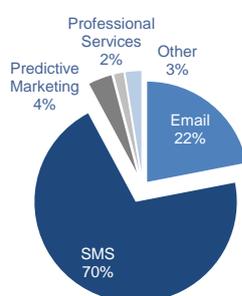
The Company at a Glance

Founded in Cremona (Italy) in 2002 as an email service provider, MailUp is now a leading international scale-up company 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.

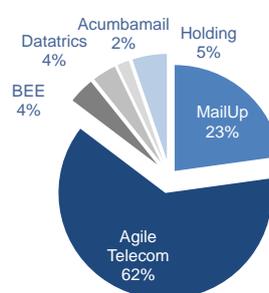
The group operates five synergic business units, corresponding to five different companies: MailUp, Agile Telecom, BEE, Datatrics and Acumbamail. The group achieved a significant growth path since its establishment: born as a start-up in 2002, MailUp closed FY-19 with revenues of € 60.8m, EBITDA of € 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 were € 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
Alberto Miscia	10.9%	1.626
Matteo Monfredini	10.7%	1.606
Luca Azzali	10.7%	1.599
Nazzareno Gorni	10.6%	1.591
Matteo Bettoni	10.1%	1.505
Pronti Gianluca	6.1%	0.913
BMC Holding B.V. *	3.7%	0.558
Treasury shares	0.6%	0.088
Free Float	36.6%	5.486
o/w Employees	0.4%	0.053
Total	100.0%	14.971

Source: Company data

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

Peer group absolute performance

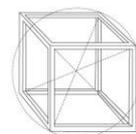
%	1D	1W	1M	3M	6M	YTD
dotDigital Group PLC	0.4	(5.0)	0.4	14.6	41.5	47.4
IMImobile PLC	3.8	4.5	(3.0)	7.9	32.3	20.1
Sinch AB (publ)	4.3	(2.0)	7.9	27.2	71.8	229.8
Vonage Holdings Corp	4.4	(0.5)	18.0	5.6	42.6	70.9
Mobile Messaging median	4.3	(0.5)	7.9	7.9	42.6	70.9
HubSpot Inc	2.5	5.1	13.2	28.2	95.3	123.0
Neosperience SpA	(0.4)	1.0	(0.2)	(26.2)	(20.1)	(35.5)
SharpSpring Inc	7.6	19.6	30.1	51.2	75.6	22.5
Predictive Marketing median	2.5	5.1	13.2	28.2	75.6	22.5
MailUp SpA	1.1	3.8	(5.6)	(13.8)	3.1	(0.8)

Source: Thomson Reuters Eikon

Peer group multiples table

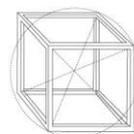
Price & EV multiples x	SALES FY1	SALES FY2	EBITDA FY1	EBITDA FY2	EBIT FY1	EBIT FY2	PER FY1	PER FY2
dotDigital Group PLC (Email Marketing)	8.55	7.49	22.5	21.7	31.1	31.2	36.3	39.1
IMImobile PLC	1.96	1.89	14.3	13.7	19.4	17.9	25.4	23.7
Sinch AB (publ)	7.36	4.35	68.3	43.3	101.0	59.1	141.6	80.4
Vonage Holdings Corp	2.86	2.68	21.4	19.9	35.4	36.1	62.2	63.3
Mobile Messaging median	2.86	2.68	21.4	19.9	35.4	36.1	62.2	63.3
HubSpot Inc	18.02	14.70	153.0	128.8	247.9	192.8	304.2	236.1
Neosperience SpA	1.85	1.13	7.5	4.3	20.8	8.3	37.1	15.5
SharpSpring Inc	n.a.	n.a.	n.m.	n.a.	n.m.	n.m.	n.m.	n.m.
Predictive Marketing median	9.94	7.91	80.3	66.6	134.3	100.5	170.7	125.8
MailUp SpA	1.02	0.85	13.4	9.1	32.8	15.7	55.1	27.3

Source: CFO SIM, Thomson Reuters Eikon





Income statement (€ m)	2018	2019	2020e	2021e	2022e
Total revenues	40.2	60.8	66.0	75.7	85.0
Purchases	(22.7)	(38.3)	(39.6)	(45.0)	(50.6)
Services	(5.7)	(7.2)	(8.5)	(9.3)	(10.2)
Personnel expenses	(7.2)	(10.0)	(12.2)	(13.6)	(14.9)
Other opex	(0.9)	(0.6)	(0.7)	(0.8)	(0.9)
EBITDA	3.8	4.8	5.0	7.0	8.4
D&A	(1.9)	(2.9)	(3.0)	(3.0)	(3.0)
EBIT	1.9	1.8	2.0	4.1	5.4
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	2.0	4.1	5.4
Income taxes	(0.7)	(0.7)	(0.7)	(1.5)	(2.0)
Minorities	0.0	0.0	0.0	0.0	0.0
Net Profit	1.3	1.2	1.3	2.6	3.4
Net Profit adj.	1.3	1.2	1.3	2.6	3.4
Balance sheet (€ m)	2018	2019	2020e	2021e	2022e
Net Working Capital	0.3	(1.7)	(1.0)	(0.9)	(0.9)
Net Fixed Assets	21.8	27.4	27.5	27.5	27.6
Equity Investments	0.1	0.1	0.1	0.1	0.1
Other M/L Term A/L	(12.7)	(11.3)	(11.4)	(11.9)	(12.3)
Net Invested Capital	9.6	14.6	15.2	14.8	14.5
Net Financial Position	(6.4)	(2.4)	(3.1)	(6.0)	(9.7)
Minorities	0.0	0.0	0.0	0.0	0.0
Group's Shareholders Equity	15.9	17.0	18.2	20.8	24.2
Financial Liabilities & Equity	9.6	14.6	15.2	14.8	14.5
Cash Flow statement (€ m)	2018	2019	2020e	2021e	2022e
Total net income	1.3	1.2	1.3	2.6	3.4
Depreciation	1.9	2.9	3.0	3.0	3.0
Other non-cash charges	1.3	(0.1)	0.9	0.5	0.3
Cash Flow from Oper. (CFO)	4.4	4.0	5.1	6.0	6.7
Change in NWC	(1.3)	2.0	(0.6)	(0.1)	0.0
FCF from Operations (FCFO)	3.1	6.0	4.5	5.9	6.7
Net Investments (CFI)	(5.2)	(9.9)	(3.7)	(3.0)	(3.0)
Free CF to the Firm (FCFF)	(2.1)	(3.9)	0.7	2.9	3.7
CF from financials (CFF)	(0.9)	5.2	(0.0)	0.0	0.0
Free Cash Flow to Equity (FCFE)	(3.0)	1.2	0.7	2.9	3.7
Financial ratios	2018	2019	2020e	2021e	2022e
EBITDA margin	9.4%	7.9%	7.6%	9.3%	9.9%
EBIT margin	4.7%	3.0%	3.1%	5.4%	6.4%
Net profit margin	3.1%	1.9%	1.9%	3.4%	4.0%
Tax rate	34.6%	36.9%	37.0%	37.0%	37.0%
Op NWC/Sales	0.7%	-2.8%	-1.6%	-1.2%	-1.1%
Interest coverage x	(0.01)	0.01	0.01	0.00	(0.00)
Net Debt/EBITDA x	(1.69)	(0.49)	(0.62)	(0.85)	(1.16)
Debt-to-Equity x	(0.40)	(0.14)	(0.17)	(0.29)	(0.40)
ROIC	13.1%	7.9%	8.4%	17.3%	23.6%
ROCE	9.7%	7.0%	7.3%	13.2%	15.6%
ROACE	9.9%	8.1%	7.5%	13.8%	16.5%
ROE	7.9%	6.8%	7.0%	12.3%	14.2%
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	0.08	0.16	0.21
EPS adjusted FD €	0.09	0.07	0.08	0.16	0.21
EBITDA €	0.26	0.31	0.31	0.43	0.52
EBIT €	0.13	0.12	0.13	0.25	0.33
BV €	1.07	1.05	1.12	1.28	1.49
FCFO €	0.21	0.38	0.28	0.36	0.42
FCFF €	(0.14)	(0.25)	0.05	0.18	0.23
FCFE €	(0.21)	0.08	0.05	0.18	0.23
Dividend €	0.00	0.00	0.00	0.00	0.00



Q3/9M-20 Results

MailUp reported a good set of results, unveiling a certain recovery of the SMS traffic related to retail customers coupled with a positive performance of the Email business. As expected, Predictive Marketing and, in particular, Datatrics are still suffering because of their high exposure to the Travel, Retail & Hospitality sector, heavily affected by the COVID-19 outbreak. Historically, Q3 has a non-favourable seasonality in terms of sales and EBITDA due to a certain business slowdown usually recorded in the summer period.

In response to a changed economic and market environment, which led to a contraction in demand for Professional Services from larger clients, the personnel operating in such business line was moved to the Sales and Operations area. Accordingly, the related revenues were added to those of the Email division.

Table 1 – MailUp, Q3-20 and 9M-20 results

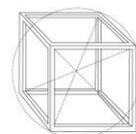
€ m	Q3-20	Q3-19	% YoY	9M-20	9M-19	% YoY
Email	4.1	3.6	14.4	12.2	10.3	17.9
SMS	11.2	9.8	13.8	32.6	30.6	6.5
Predictive Marketing	0.6	0.7	(5.9)	2.0	1.5	35.4
Other revenues	0.2	0.2	16.9	1.0	1.1	(9.8)
Total revenues	16.2	14.3	13.1	47.9	43.6	9.7
Gross Profit	5.0	4.1	21.8	14.8	12.7	16.8
% margin	31.0	28.8		30.9	29.0	
EBITDA	1.3	1.2	13.7	3.5	3.3	5.9
% margin	8.3	8.3		7.4	7.6	
Pre-Tax profit	0.4	0.3	22.6	0.9	1.1	(19.6)
% margin	2.6	2.4		1.9	2.6	

Source: Company data, CFO SIM analysis

In Q3-20 total revenues were € 16.2m, up by 13.1% YoY, driven by increased turnover both in the **Email (up 14.4% YoY)** and the **SMS (up 13.8% YoY)** divisions. **Predictive Marketing's sales (down 5.9% YoY)** were affected by Datatrics' high exposure to the Travel, Retail & Hospitality sector, heavily impacted by the COVID-19 pandemic. In terms of business units, please note the following:

- **MailUp** totalled € 3.8m, up 4.8% YoY.
- **Agile Telecom's** turnover was € 10.7m, grew by 13.3% YoY thanks to clear signs of recovery of the retail SMS traffic.
- **BEE** reached € 1.0m, up 40.4% YoY driven by the excellent performance of BEEPro.
- **Datatrics plummeted by 30.3% YoY to € 0.4m** as a result of the COVID-19 outbreak, which caused 1) a stretching of the sales cycle, 2) a churn rate increase and 3) persistent difficulty for clients operating in the Travel, Retail & Hospitality sector. Thus, **the group announced Datatrics' operational reorganisation in order to improve both the scalability and the self-provision of the business model**, relying on the significant contribution of partners. In this framework, no headcount reductions are planned, whereas Datatrics S.r.l. will be dissolved approximately by end-20, with reallocation of personnel to MailUp S.p.A.. The full outcome of the reorganisation process is expected by Q3-21. The restructuring will allow greater focus on unified client management, leveraging on a leaner and more qualified organisation. Italian clients will be managed by Italian-speaking personnel based in Milan, the trading activity will only be dedicated to the indirect channel (digital agencies), whereas the direct channel will be managed by the MailUp business unit through a progressive integration of the two platforms.
- **Acumbamail** grew by 37.3% YoY, reaching € 0.4m.

EBITDA totalled € 1.3m, 8.3% margin, up by 13.7% YoY mainly driven by increased **gross profit (€ 5.0m, 31.0% margin, up 21.8% YoY)** as a result of certain optimisation and cost containment measures. Furthermore, the group decided not to suspend or postpone the strategic investments already planned. Thus, the incidence of Sales & Marketing and R&D costs increased, being the areas where the biggest investments are currently concentrated.



Margins were also affected by a certain slowdown in the acquisition process of new mid-large clients and by the cancellation or postponement of marketing investments by several clients operating in the Travel, Retail & Hospitality sector.

Table 2 – MailUp, 9M-20 results – breakdown by business unit

€ m	9M-20	9M-19	% YoY
MailUp	11.9	11.0	8.4
Agile Telecom	31.4	30.0	4.9
BEE	2.8	1.8	59.0
Datatics	2.1	1.6	32.7
Acumbamail	1.1	0.9	32.8
Holding	3.6	2.3	55.1
Consol. Adj.	(5.2)	(3.9)	-
Total revenues	47.9	43.6	9.7
EBITDA MailUp	2.8	2.4	19.5
EBITDA Agile Telecom	0.9	0.8	10.4
EBITDA BEE	0.3	0.5	(43.4)
EBITDA Datatics	(1.1)	(0.4)	(177.5)
EBITDA Acumbamail	0.3	0.2	33.5
EBITDA Holding	(0.2)	(0.4)	40.9
Consol. Adj.	0.6	0.2	-
Total EBITDA	3.5	3.3	5.9
EBITDA % MailUp	23.7	21.5	
EBITDA % Agile Telecom	2.9	2.8	
EBITDA % BEE	10.6	29.7	
EBITDA % Datatics	(53.5)	(25.6)	
EBITDA % Acumbamail	22.9	22.7	
EBITDA % Holding	(6.5)	(17.0)	
Total EBITDA %	7.4	7.6	

Source: Company data, CFO SIM analysis

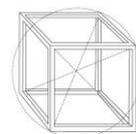
In 9M-20 total revenues increased by 9.7% YoY to € 47.9m, of which foreign revenues were 54.4%. In terms of business lines, Email totalled € 12.2m (up 17.9% YoY), SMS € 32.6m (up 6.5% YoY) and Predictive Marketing € 2.0m (up 35.4% YoY). **EBITDA grew by 5.9% YoY to € 3.5m, 7.4% margin**, thanks to increased gross profit (€ 14.8m, 30.9% margin, up 16.8% YoY).

Net Financial Position stood at € 2.1m cash (vs € 3.7m cash in H1-20), including € 4.0m debt stemming from IFRS 16. Historically the group has a non-favourable seasonality in Q3 in terms of cash generation as 1) in July the group pays the 14th month salary to Italian employees and 2) there is a certain slowdown in receipts in the summer period. **Cash and cash equivalents accounted for € 10.1m.**

Table 3 – MailUp, 2020 quarterly results

€ m	Q1-20	Q1-19	% YoY	Q2-20	Q2-19	% YoY	Q3-20	Q3-19	%YoY
Email	3.9	3.3	20.4	4.1	3.4	19.2	4.1	3.6	14.4
SMS	10.9	9.4	15.3	10.6	11.4	(7.1)	11.2	9.8	13.8
Predictive Marketing	0.8	0.4	124.3	0.6	0.5	27.2	0.6	0.7	(5.9)
Other revenues	0.2	0.3	(21.4)	0.5	0.6	(12.7)	0.2	0.2	16.9
MailUp	4.0	3.5	12.2	4.1	3.8	8.3	3.8	3.6	4.8
Agile Telecom	10.5	9.2	14.7	10.2	11.3	(10.2)	10.7	9.5	13.3
BEE	0.9	0.5	79.3	0.9	0.6	64.2	1.0	0.7	40.4
Datatics	0.8	0.4	94.3	0.9	0.6	49.1	0.4	0.6	(30.3)
Acumbamail	0.4	0.3	33.2	0.4	0.3	28.2	0.4	0.3	37.3
Holding	1.1	0.6	95.0	1.5	1.0	52.1	1.0	0.8	29.4
Consol. Adj.	(1.8)	(1.1)	-	(2.1)	(1.6)	-	(1.2)	(1.2)	-
Total revenues	15.8	13.4	18.6	15.9	16.0	(0.6)	16.2	14.3	13.1
Gross Profit	4.4	3.4	30.3	5.3	5.1	3.9	5.0	4.1	21.8
% margin	28.1	25.5		33.6	32.2		31.0	28.8	
EBITDA	0.5	0.5	14.9	1.6	1.7	(2.3)	1.3	1.2	13.7
% margin	3.4	3.6		10.3	10.5		8.3	8.3	

Source: Company data, CFO SIM analysis



Valuation & Risks

Following the Q3-20 results release, we have fine-tuned our model in order to factor in 1) a **lower top line growth** on the back of lower-than-expected SMS traffic recovery, 2) certain issues concerning **Datatics** due to its high exposure to the Travel, Retail & Hospitality sector, 3) an **increase in margins** stemming from a few optimisation and cost containment measures rather than from a different revenue mix and 4) **better cash generation** thanks to more favourable WC management. The combined result is an average **3.6% reduction in sales** counterbalanced by a **2.9% and 6.3% increase in EBITDA and Net Profit in 2020-22, on average**.

Table 4 – MailUp, 2020e new/old estimates

€ m	New	Old	% Diff.	€ m Diff.
Total Revenues	66.0	68.0	(3.0)	(2.1)
EBITDA	5.0	4.9	2.0	0.1
% margin	7.6	7.2		
EBIT	2.0	1.9	5.2	0.1
% margin	3.1	2.8		
Net Profit	1.3	1.2	5.7	0.1
% margin	1.9	1.8		
Y/E net debt (net cash)	(3.1)	(1.6)	92.8	(1.5)

Source: CFO Sim

Table 5 – MailUp, 2021e new/old estimates

€ m	New	Old	% Diff.	€ m Diff.
Total Revenues	75.7	79.0	(4.1)	(3.2)
EBITDA	7.0	6.8	3.8	0.3
% margin	9.3	8.6		
EBIT	4.1	3.8	6.7	0.3
% margin	5.4	4.8		
Net Profit	2.6	2.4	7.0	0.2
% margin	3.4	3.0		
Y/E net debt (net cash)	(6.0)	(3.8)	58.2	(2.2)

Source: CFO Sim

Table 6 – MailUp, 2022e new/old estimates

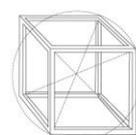
€ m	New	Old	% Diff.	€ m Diff.
Total Revenues	85.0	89.2	(4.7)	(4.2)
EBITDA	8.4	8.1	3.8	0.3
% margin	9.9	9.1		
EBIT	5.4	5.1	6.0	0.3
% margin	6.4	5.8		
Net Profit	3.4	3.2	6.4	0.2
% margin	4.0	3.6		
Y/E net debt (net cash)	(9.7)	(6.3)	55.0	(3.5)

Source: CFO Sim

We confirm DCF as our valuation methodology rather than the sum-of-the parts valuation in order to avoid factoring in the increased volatility of the tech sector in our MailUp equity value assessment. As a consequence of the estimate fine-tuning and the valuation criteria update, **the new DCF-based PT stands at € 6.60/s (€ 6.30), 40.7% upside** to current price levels.

We also updated our sum-of-the-parts valuation. The result is an equity value of MailUp of € 9.60/s (€ 8.20/s), showing massive market volatility.

We believe MailUp is a high-quality company, with a solid, proven strategy, and led by top-notch management. The investment case includes: 1) a **widespread client portfolio**, 2) an **large amount of recurring revenues** (generally 1/3 of FY turnover) stemming from its **SaaS business model**, 3) a **strong capital structure** with solid equity coupled with excellent financial discipline and 4) **huge M&A firepower**.



Furthermore, worthy of note, **MAIL stock is still trading at a huge discount compared to its closest peer, dotDigital Group**: EV/EBITDA₂₁ and EV/Sales₂₁ of 9.1x and 0.85x vs 21.7x and 7.49x, respectively.

As a consequence of the aforementioned considerations, **we upgraded our recommendation to Buy** (Neutral). It's time to buy the shares: since our last report the MAIL stock has declined by 9.8% and now is trading at almost the same price levels as one year ago after reaching its highs in late Aug-20. MailUp showed strong resilience in terms of margins despite a lower-than-expected growth rate and, since it operates in a rather defensive sector, the stock should offer some protection to investor portfolios.

DCF

In the DCF-based valuation, we assess explicit estimates until 2024 and long-term growth of 1.5%. Cash flows are discounted back at a weighted average cost of capital calculated according to the following parameters:

Table 7 – WACC derived from:

Interest costs, pre-tax	2.5%
Tax rate	37.0%
Int. costs, after taxes	1.6%
Risk premium, incl. small size premium	9.0%
Risk-free (10Y Gov. Bond 200dd mov. avg.)	1.25%
Beta levered (x)	0.58
Required ROE	6.5%

Source: CFO SIM, Thomson Reuters Eikon

Risk premium at 9.0% factors in the minute size of the company and basically all the concerns and disquiet an investor might have with regard to the AIM Italia market segment. **Beta at 0.58** corresponds to the 5Y beta levered of MailUp. **Risk-free rate at 1.25%** corresponds to the 200-day moving average of the 10Y Italian Government Bond yield. The WACC is computed using the 0/100% debt/equity current balance sheet structure, thus penalising the valuation of the group.

Table 8 – MailUp, DCF model

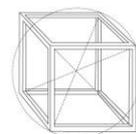
€ m	2020e	2021e	2022e	2023e	2024e	Term. Val.
EBIT	2.0	4.1	5.4	7.1	9.2	
Tax rate	37.0%	37.0%	37.0%	37.0%	37.0%	
Operating profit (NOPAT)	1.3	2.6	3.4	4.5	5.8	
Change working capital	(0.6)	(0.1)	0.0	0.1	0.1	
Depreciation	3.0	3.0	3.0	2.5	2.5	
Investments	(3.0)	(3.0)	(3.0)	(2.5)	(2.5)	
Free Cash Flows	0.6	2.4	3.4	4.6	5.8	119.4
Present value	0.6	2.2	3.0	3.7	4.5	92.2
WACC	6.5%	6.5%	6.5%	6.5%	6.5%	
Long-term growth rate	1.5%					

Source: CFO SIM

Table 9 – MailUp, DCF derived from:

€ m	
Total EV present value € m	106.2
	<i>thereof terminal value</i>
	87%
NFP last reported - FY-19	2.4
Pension last reported - FY-19	(1.7)
Equity value € m	106.9
# shares FD m	16.2
Equity value €/s FD	6.60
% upside/(downside)	40.7%

Source: CFO SIM



The outcome of our DCF model set up an equity value of € 106.9m for MailUp, € 6.60/s (6.30), 40.7% upside.

The following tables illustrate that sensitivity 1) compared to changes in the terminal growth rate produces an equity value between € 5.82 and 7.67/s (perpetuity range between 0.75% and 2.25%), while 2) compared to changes in the free risk rate produces an equity value of € 5.70-7.84/s (free-risk range between 2.00% and 0.50%) and 3) compared to changes in the risk premium, including small size premium results in an equity value of € 5.58-8.08/s (risk premium range between 10.5% and 7.50%).

Table 10 – MailUp, equity value sensitivity to changes in terminal growth rate

€ m	0.75%	1.00%	1.25%	1.50%	1.75%	2.00%	2.25%
Present value of CF	14.0	14.0	14.0	14.0	14.0	14.0	14.0
PV of terminal value	79.5	83.3	87.5	92.2	97.3	103.0	109.4
Total value	93.5	97.4	101.6	106.2	111.3	117.0	123.4
NFP last reported - FY-19	2.4	2.4	2.4	2.4	2.4	2.4	2.4
Pension last reported - FY-19	(1.7)	(1.7)	(1.7)	(1.7)	(1.7)	(1.7)	(1.7)
Equity value € m	94.2	98.0	102.2	106.9	112.0	117.7	124.1
# shares FD m	16.2	16.2	16.2	16.2	16.2	16.2	16.2
Equity value €/s FD	5.82	6.06	6.32	6.60	6.93	7.28	7.67

Source: CFO SIM

Table 11 – MailUp, equity value sensitivity to changes in free risk rate

€ m	0.50%	0.75%	1.00%	1.25%	1.50%	1.75%	2.00%
Present value of CF	14.3	14.2	14.1	14.0	14.0	13.9	13.8
PV of terminal value	111.8	104.5	98.0	92.2	86.9	82.1	77.8
Total value	126.1	118.7	112.1	106.2	100.9	96.0	91.6
NFP last reported - FY-19	2.4	2.4	2.4	2.4	2.4	2.4	2.4
Pension last reported - FY-19	(1.7)	(1.7)	(1.7)	(1.7)	(1.7)	(1.7)	(1.7)
Equity value € m	126.8	119.4	112.8	106.9	101.5	96.6	92.2
# shares FD m	16.2	16.2	16.2	16.2	16.2	16.2	16.2
Equity value €/s FD	7.84	7.38	6.98	6.60	6.28	5.98	5.70

Source: CFO SIM

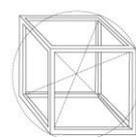
Table 12 – MailUp, equity value sensitivity to changes in risk premium

€ m	7.50%	8.00%	8.50%	9.00%	9.50%	10.00%	10.50%
Present value of CF	14.4	14.3	14.2	14.0	13.9	13.8	13.7
PV of terminal value	115.6	106.7	99.0	92.2	86.1	80.7	75.8
Total value	130.0	121.0	113.2	106.2	100.1	94.5	89.6
NFP last reported - FY-19	2.4	2.4	2.4	2.4	2.4	2.4	2.4
Pension last reported - FY-19	(1.7)	(1.7)	(1.7)	(1.7)	(1.7)	(1.7)	(1.7)
Equity value € m	130.6	121.6	113.8	106.9	100.7	95.2	90.2
# shares FD m	16.2	16.2	16.2	16.2	16.2	16.2	16.2
Equity value €/s FD	8.08	7.52	7.04	6.60	6.23	5.89	5.58

Source: CFO SIM

Sum of the parts

The sum-of-the-parts valuation, also known as breakup value analysis, is a process of valuing a company by determining what its aggregate divisions would be worth if spun off or acquired. The valuation provides the company value by aggregating the standalone value of each of its business units. The equity value is then derived by adjusting by net debt, pension provisions, minorities assessment and the perpetuity of holding costs. Please note that MailUp has no minority interests in its consolidated balance sheet.



MailUp is a vertically integrated player operating in the marketing technology sector. Through its **five synergic business units**, the group is able to manage an entire marketing campaign, from data collection to omni-channel activation. In order to better appraise the different business units of the MailUp group, we conducted an analysis on three clusters: 1) companies operating in the email marketing arena, 2) players working in the mobile messaging sector and 3) firms operating in the predictive marketing niche.

To evaluate the MailUp, Acumbamail and BEE business units, providing email marketing products and services, we considered **dotDigital Group PLC (United Kingdom)** as the closest comparable: the group provides software, service technology and tools for digital marketing. Furthermore, it offers Software as a Service (SaaS) technologies, email marketing consultancy and managed services for businesses.

Amongst the mobile messaging players suitable to appraise the Agile Telecom business unit, we selected the following:

IMImobile PLC (United Kingdom): IMImobile provides mobile applications and other software solutions to assist companies in customer relations management, revenue generation, and productivity enhancement. The company serves customers globally.

Sinch AB (Sweden): Sinch develops cloud communication platforms. The company offers personalised messaging, number masking, video calling, voicemail, and other related services. Sinch serves customers mainly in Sweden.

Vonage Holdings Corp. (USA): Vonage's fully-integrated cloud communications platform enables businesses to collaborate more productively and engage their customers more effectively across all channels, including messaging, chat, social media, video and voice. In particular, **Nexmo**, controlled by Vonage Holdings, is a global leader in the Communication Platforms as a Service (CPaaS) sector, providing APIs for text messaging and voice communications.

Amongst the firms operating in predictive marketing relevant to assess the Datatrics business unit, we picked the following:

HubSpot Inc (USA): HubSpot provides a cloud-based marketing and sales software platform. The company offers integrated applications that help in lead generation and social marketing.

Neosperience SpA (Italy): Neosperience, listed on AIM Italia, provides digital marketing and e-commerce technologies. The company develops AI proprietary models that extract personality traits, lifestyle, attitudes, and behaviour from the interaction with customer's website, application, chat, social media, and aggregators.

SharpSpring Inc (USA): SharpSpring provides cloud-based marketing solutions. The company offers email automation, CRM, call tracking, social platform, and analytical solutions. SharpSpring serves customers in the United States.

Table 13 – MailUp, peer group summary table

€ m	Country	Mkt Cap	Sales FY1	EBITDA FY1	EBITDA %	Sales CAGR ₁₉₋₂₂	EBITDA CAGR ₁₉₋₂₂	EBIT CAGR ₁₉₋₂₂	EPS CAGR ₂₀₋₂₂	NFP /EBITDA
dotDigital Group PLC (Email Marketing)	UK	472	52	20	38.1%	11.9%	10.0%	7.6%	2.2%	(1.4)
IMImobile PLC	UK	379	190	26	13.7%	3.5%	10.9%	31.2%	5.8%	(0.2)
Sinch AB (publ)	Sweden	5,473	749	81	10.8%	45.1%	45.6%	54.1%	61.0%	0.6
Vonage Holdings Corp	USA	2,663	1,044	139	13.3%	4.0%	25.1%	160.6%	26.7%	2.3
Mobile Messaging median		2,663	749	81	13.3%	4.0%	25.1%	54.1%	26.7%	0.6
HubSpot Inc	USA	13,741	729	86	11.8%	21.6%	n.m.	n.m.	41.0%	(6.9)
Neosperience SpA	Italy	37	18	4	24.5%	35.0%	44.5%	82.4%	119.1%	(0.9)
SharpSpring Inc	USA	138	25	(2)	n.m.	16.8%	n.m.	n.m.	n.a.	n.m.
Predictive Marketing median		138	25	4	18.1%	21.6%	44.5%	82.4%	80.0%	(3.9)
MailUp SpA	Italy	70	66	5	7.6%	11.8%	20.5%	43.3%	64.4%	(0.6)

Source: CFO SIM, Thomson Reuters Eikon

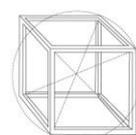


Table 14 – MailUp, peer group EV multiple table

x	Sales FY1	Sales FY2	Sales FY3	EBITDA FY1	EBITDA FY2	EBITDA FY3
dotDigital Group PLC (Email Marketing)	8.55	7.49	n.a.	22.5	21.7	n.a.
IMImobile PLC	1.96	1.89	1.69	14.3	13.7	12.1
Sinch AB (publ)	7.36	4.35	3.75	68.3	43.3	32.6
Vonage Holdings Corp	2.86	2.68	2.38	21.4	19.9	17.5
Mobile Messaging median	2.86	2.68	2.38	21.4	19.9	17.5
HubSpot Inc	18.02	14.70	11.89	153.0	128.8	86.6
Neosperience SpA	1.85	1.13	0.68	7.5	4.3	2.5
SharpSpring Inc	n.a.	n.a.	n.a.	n.m.	n.a.	n.m.
Predictive Marketing median	9.94	7.91	6.28	80.3	66.6	44.5
MailUp SpA	1.02	0.85	0.71	13.4	9.1	7.2
% Prem./disc. to dotDigital PLC	(88.1)	(88.7)	n.a.	(40.2)	(58.0)	n.a.
% Prem./disc. to Mobile Messaging	(64.5)	(68.4)	(70.2)	(37.3)	(54.3)	(58.8)
% Prem./disc. to Predictive Marketing	(89.8)	(89.3)	(88.7)	(83.3)	(86.3)	(83.9)

Source: CFO SIM, Thomson Reuters Eikon

Table 15 – MailUp, peer group EV & price multiple table

x	EBIT FY1	EBIT FY2	EBIT FY3	PER FY1	PER FY2	PER FY3
dotDigital Group PLC (Email Marketing)	31.1	31.2	n.a.	36.3	39.1	34.7
IMImobile PLC	19.4	17.9	16.8	25.4	23.7	22.7
Sinch AB (publ)	101.0	59.1	40.4	141.6	80.4	54.6
Vonage Holdings Corp	35.4	36.1	25.6	62.2	63.3	38.8
Mobile Messaging median	35.4	36.1	25.6	62.2	63.3	38.8
HubSpot Inc	247.9	192.8	125.2	304.2	236.1	153.0
Neosperience SpA	20.8	8.3	3.5	37.1	15.5	7.7
SharpSpring Inc	n.m.	n.m.	n.m.	n.m.	n.m.	n.a.
Predictive Marketing median	134.3	100.5	64.3	170.7	125.8	80.4
MailUp SpA	32.8	15.7	11.1	55.1	27.3	20.4
% Prem./disc. to dotDigital PLC	5.7	(49.7)	n.a.	51.8	(30.2)	(41.2)
% Prem./disc. to Mobile Messaging	(7.3)	(56.6)	(56.7)	(11.3)	(56.9)	(47.4)
% Prem./disc. to Predictive Marketing	(75.6)	(84.4)	(82.8)	(67.7)	(78.3)	(74.6)

Source: CFO SIM, Thomson Reuters Eikon

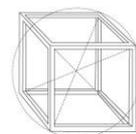
In our SOTP valuation, we used 1) the EV/EBITDA multiple of dotDigital Group to evaluate the MailUp, Acumbamail and BEE business units, 2) the median EV/EBITDA multiple of the Mobile Messaging panel to appraise the Agile Telecom business unit and 3) the median EV/Sales multiple of the Predictive Marketing cluster to assess the Datatrics business unit. We applied a **20% discount to peer multiples**, mainly due to MailUp smaller size and the low level of the stock liquidity on the back of the listing on the AIM Italia market.

In order to price the growth potential and the decent degree of visibility linked to the MailUp business model (namely 1/3 of FY revenues are recurring) into our valuation, **we decided to assess the equity value using 2021e figures**. As a result, we attain a new equity value of € 9.60/s (€ 8.20), 104.7% upside.

Table 16 – MailUp, Sum of the Parts equity value assessment

	€ m	% on EV	Methodology
MailUp BU	82.9	54.1	17.3x peer multiple on € 4.8 m BU EBITDA 2021
Acumbamail BU	7.4	4.9	17.3x peer multiple on € 0.4 m BU EBITDA 2021
BEE BU	13.0	8.5	17.3x peer multiple on € 0.8 m BU EBITDA 2021
Agile Telecom BU	25.3	16.5	15.9x peer multiple on € 1.6 m BU EBITDA 2021
Datatrics BU	24.6	16.1	6.33x peer multiple on € 3.9 m BU Sales 2021
Total EV	153.3	100.0	
Holding costs	(2.3)		Perpetuity of holding costs @ 6.5%
NFP	6.0		FY-21e Net Financial Position
Pension Provision	(1.7)		Pension last reported - FY-19
Equity Value	155.3		
Per share FD	9.60		
% upside/downside)	104.7%		

Source: CFO SIM, Thomson Reuters Eikon



Peer Stock Performance

MailUp was listed on AIM Italia (Alternative Investment Market) on 29 July 2014 at € 2.50/share (**adjusted IPO price of € 1.92/share** as a result of the free capital increase of 11-Apr-16), corresponding to a post-money market capitalisation of € 20.0m. **MailUp trades well above the IPO price**, +144.3% since the IPO. The stock reached a 1Y intraday maximum price of € 5.74/s on 25-Aug-20 and a minimum price of € 3.45/s on 9-Mar-20.

Table 17 – MailUp, peer group and index absolute performance

	1D	1W	1M	3M	6M	YTD	1Y
dotDigital Group PLC (Email Marketing)	0.4	(5.0)	0.4	14.6	41.5	47.4	59.0
IMImobile PLC	3.8	4.5	(3.0)	7.9	32.3	20.1	38.0
Sinch AB (publ)	4.3	(2.0)	7.9	27.2	71.8	229.8	345.8
Vonage Holdings Corp	4.4	(0.5)	18.0	5.6	42.6	70.9	61.9
Mobile Messaging median	4.3	(0.5)	7.9	7.9	42.6	70.9	61.9
HubSpot Inc	2.5	5.1	13.2	28.2	95.3	123.0	149.4
Neosperience SpA	(0.4)	1.0	(0.2)	(26.2)	(20.1)	(35.5)	(35.2)
SharpSpring Inc	7.6	19.6	30.1	51.2	75.6	22.5	41.8
Predictive Marketing median	2.5	5.1	13.2	28.2	75.6	22.5	41.8
MailUp SpA	1.1	3.8	(5.6)	(13.8)	3.1	(0.8)	4.2
MSCI World Index	(0.8)	1.7	3.0	5.0	25.5	6.4	10.6
EUROSTOXX	(0.9)	5.7	6.5	3.7	23.8	(5.9)	(4.6)
FTSE Italia All Share	(0.8)	5.5	8.5	2.3	22.6	(11.7)	(11.8)
FTSE STAR Italia	0.7	2.0	2.3	6.2	25.7	4.3	8.2
FTSE AIM Italia	0.6	1.5	(0.7)	(4.1)	(3.4)	(17.7)	(16.8)

Source: Thomson Reuters Eikon

Table 18 – MailUp relative performances

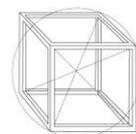
	1D	1W	1M	3M	6M	YTD	1Y
To dotDigital Group PLC	0.7	8.8	(6.0)	(28.4)	(38.4)	(48.2)	(54.8)
To peer Mobile Messaging median	(3.2)	4.2	(13.5)	(21.7)	(39.5)	(71.7)	(57.7)
To peer Predictive Marketing median	(1.4)	(1.4)	(18.9)	(42.0)	(72.5)	(23.3)	(37.6)
To MSCI World Index	1.8	2.0	(8.6)	(18.8)	(22.4)	(7.2)	(6.4)
To EUROSTOXX	2.0	(1.9)	(12.2)	(17.5)	(20.7)	5.0	8.8
To FTSE Italia All Share	1.9	(1.7)	(14.1)	(16.1)	(19.5)	10.9	16.0
To FTSE STAR Italia	0.4	1.7	(7.9)	(20.0)	(22.6)	(5.1)	(4.0)
To FTSE AIM Italia	0.4	2.2	(4.9)	(9.7)	6.4	16.8	21.1

Source: Thomson Reuters Eikon

Risks

The principal investment **risks** associated with MailUp include the following:

- Fast technological development might increase competitive pressure;
- Risks due to ICT malfunctions;
- Dilution on profitability stemming from the acquisition campaign;
- Impacts on profit and loss and balance sheet profiles triggered by a deep decline in global economic growth or geopolitical instability;
- Departure of one or a few of the key relevant people;
- M&A execution might be hampered by potential consolidating actors in the industry with higher firepower.



ANALYST CERTIFICATION

This publication was prepared by **LUCA ARENA**, Head of the Equity Research Department of "Corporate Family Office SIM S.p.A." ("CFO SIM") and **GIANLUCA MOZZALI**, Equity Analyst of CFO SIM. This is to certify that the views expressed on the companies mentioned in this document reflect the analysts' personal opinions and that no direct or indirect recompense has been, or will be, received by the analyst further to the views expressed herein.

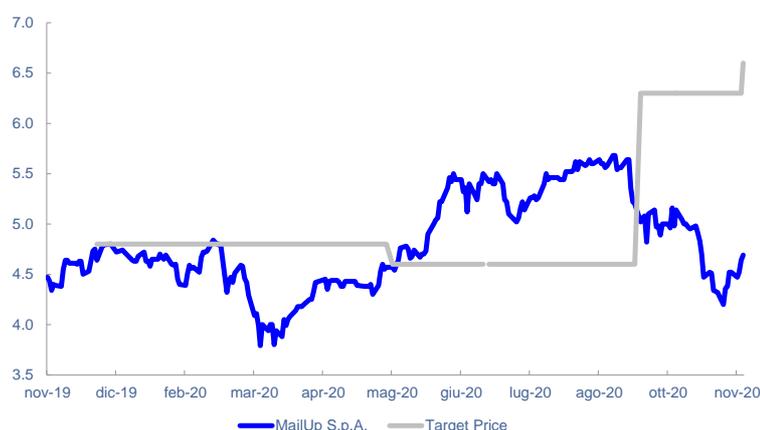
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DATE	TARGET PRICE	RATING
13/11/2020	€6.60	BUY
21/09/2020	€6.30	NEUTRAL
14/05/2020	€4.60	NEUTRAL
02/04/2020	€4.60	NEUTRAL
18/12/2019	€4.80	NEUTRAL

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RATING SYSTEM

- 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.

