MailUp Group

Sector: Marketing Technology

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Mindfully growing: Growens

Fair Value (€)	5.65
Market Price (€)	4.38
Market Cap. (€m)	65.6

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. The Group will soon change its legal name into Growens, a name which further reflects the continuous strive towards mindful growth and innovation.

FY20 results met expectations, but for cash generation

MailUp Group FY20 financial figures are in line with our expectations at the P&L level while a bit short on the net cash side as the group has paid €0.8mn final cash-out for Datatrics acquisition and is maintaining a growth push despite the obvious difficulties driven by Covid-19 outbreak. More in details: 1) Revenues up 7.3% y/y to €65.2mn despite US$ headwind, with all business units recording a positive growth; 2) Foreign sales at 54% of total and recurring revenues at 19%; 3) Gross Profit up a more than proportional 24.6% y/y to €20.8mn, as result of the lower incidence of SMS business; 4) Opex up by 32.1%, with R&D and S&M costs definitely soaring y/y; 5) EBITDA up +6.1% y/y at €5.1mn; 6) Net cash at €2.5mn stable y/y.

Covid-19 drive s.t. estimates but focus still on m.t. growth

We are revising downwards 2021E-22E Revenues and EBITDA expectations by ca. 9% and 18% respectively as Covid-19 is delaying marketing investments of MailUp Group's clients.

At the same time, we appreciate that the Group is still focused on speeding up investments to foster medium-term growth. Indeed, 1) many C-level managers have been recently hired, 2) potentially accretive M&A deal are under scrutiny in UK and in Italy (target with €4-5mn revenues and positive cash generation) and, 3) this might be followed in 2022 by a translisting to more rewarding stock market segments.

Fair Value confirmed at €5.65 per share

Current €4.5 share price is well-off stock's €5.7 peak achieved in the post-lockdown, while, on the contrary, the MarTech sector has experienced a further 100% sector rerating in 2020, and M&A activity remains fierce, particularly in US and UK. Indeed, only in the latest six months six noteworthy acquisitions in the CDP space (the one of Datatrics) have been finalized.

Based on our updated 2021E-22 estimates, we confirm our fully diluted **€5.65 fair equity value per share**, as peers rerating offsets lower 2021E-22E estimates. Last but not least, we note that any possible corporate action on the US SaaS based subsidiary BEE would unlock, in our view, a massive hidden value.

KEY FINANCIALS (€m)	2020A	2021E	2022E
TOTAL REVENUES	65.2	70.9	81.4
EBITDA	5.1	5.3	6.8
EBIT	1.4	1.5	2.9
NET PROFIT	0.6	1.0	2.0
NET PROFIT ADJ.	0.6	1.0	2.0
EQUITY	17.3	18.3	20.3
NET FINANCIAL POS.	2.5	3.1	6.6
EPS ADJ. (€)	0.04	0.07	0.13

Source: MailUp Group (historical figures), Value Track (2021E-22E estimates)

RATIOS & MULTIPLES	2020A	2021E	2022E
EBITDA MARGIN (%) (*)	7.9	7.5	8.4
EBIT MARGIN (%) (*)	2.1	2.1	3.6
NET DEBT / EBITDA (x)	nm	nm	nm
NET DEBT / EQUITY (%)	nm	nm	nm
EV/SALES (x)	1.0	0.9	0.7
EV/EBITDA (x)	12.7	12.1	8.9
EV/EBIT (x).	47.0	42.4	20.9
P/E ADJ. (x)	nm	nm	34.1

Source: MailUp Group (2020A), Value Track (2021E-22E estimates)
(*) As % of Revenues from Sales

STOCK DATA	
FAIR VALUE (€)	5.65
MARKET PRICE (€)	4.38
SHS. OUT. (m)	15.0
MARKET CAP. (€m)	65.6
FREE FLOAT (%)	36.8
AVG. -20D VOL. (#)	6,084
RIC / BBG	MAIL.MI / MAIL IM
52 WK RANGE	3.99-5.68

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.

In greater detail, MailUp Group is involved in the provisioning of email marketing services, delivery of mobile text messages (for both transactional and marketing purposes), email editing support, Predictive Marketing CDP and professional services to business clients.

Key Financials

€mn	2020A	2021E	2022E	2023E
Total Revenues	**65.2**	**71.9**	**82.4**	**93.7**
Chg. % YoY	7.3%	10.3%	14.6%	13.7%
EBITDA	**5.1**	**5.3**	**6.8**	**8.2**
EBITDA Margin (%)	7.8%	7.4%	8.3%	8.7%
EBIT	**1.4**	**1.5**	**2.9**	**4.3**
EBIT Margin (%)	2.1%	2.1%	3.5%	4.6%
Net Profit	**0.6**	**1.0**	**2.0**	**2.0**
Chg. % YoY	-51.0%	80.5%	92.8%	43.0%
Adjusted Net Profit	**0.6**	**1.0**	**2.0**	**2.0**
Chg. % YoY	-51.0%	80.5%	92.8%	43.0%
Net Fin. Position	**2.5**	**3.1**	**6.6**	**10.7**
Net Fin. Pos. / EBITDA (x)	nm	nm	nm	nm
Capex	-3.0	-3.3	-3.6	-3.5
OpFCF b.t.	**1.5**	**1.1**	**4.4**	**5.6**
OpFCF b.t. as % of EBITDA	30.3%	20.7%	64.8%	68.7%

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

Investment case

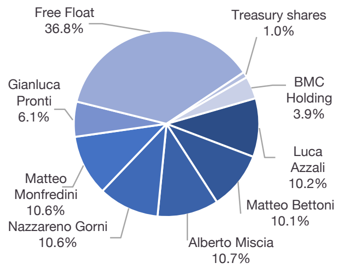
Strengths / Opportunities

- 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

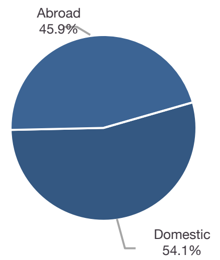
- Much smaller size if compared to Anglo-Saxons competitors;
- MarTech moves fast and MailUp group capability to keep up with the pace could be limited due to financial availabilities.

Shareholders Structure



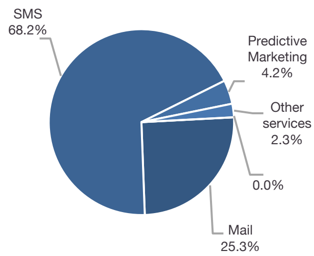
Source: MailUp SpA

Revenues by geography



Source: MailUp SpA

Revenues by legal entity



Source: MailUp SpA

Stock multiples @ €5.65 Fair Value

	2021E	2022E
EV / SALES (x)	1.1	1.0
EV / EBITDA (x)	15.3	11.5
EV / EBIT (x)	nm	26.8
EV / CAP.EMP. (x)	5.4	5.7
OpFCF Yield (%)	1.4	5.7
P / E (x)	nm	43.0
P / BV (x)	4.6	4.2
Div. Yield. (%)	0.0	0.0

Source: Value Track

2020FY results in line, but for cash generation

MailUp Group FY20 consolidated financial statements came in substantially in line with our estimates, but for Net Cash Position, which stands at €2.5mn (vs. our €4.1mn estimate).

Overall, results were negatively hit by second-wave pandemic, which caused a slowdown in market demand, driven by a lower appetite for marketing investments, particularly for those clients operating in the travel & hospitality industries.

However, it is worthy to note that in such challenging environment, MailUp Group has reached its all-time high in total turnover (as also unveiled by already released full-year Gross Sales), as well as it kept strengthening the corporate structure with several new hires, higher investments in sales & marketing activities (+38% y/y), and in R&D expenditures (+75% y/y).

As a matter of fact, the Group is steadily expanding its customer base, with 23,000+ B2B clients in 130+ countries and 280,000+ free users, as well as its geographical footprint, with international sales now at 54% of total vs. 10% at IPO (2014), and 250+ employees in three continents.

MailUp Group: 2020A vs VT 2020E

(€mn)	2020		
	Expected	Actual	A vs. E - Δ(%)
Total Revenues	**66.9**	**65.2**	**-2.5%**
EBITDA	**5.0**	**5.1**	**1.3%**
EBITDA margin (%)	*7.6%*	*7.8%*	*+22bps*
EBIT	**1.6**	**1.4**	**-12.2%**
EBIT margin (%)	*2.4%*	*2.1%*	*-26bps*
Net Financial Position	**4.1**	**2.5**	**-1.6**

Source: Value Track Analysis

Foreign sales at 54% (+20 y/y), recurring revenues at 29% (+19% y/y)

Total Revenues moved from €60.8mn as of FY19 to ca. €65.2mn in FY20, growing +7.3% y/y on a like-for-like basis, thanks to an overall expansion in almost all business units. In particular, we highlight a moderate y/y turnover increase for more mature businesses (Agile Telecom and MailUp), while most innovative ones (Datatrics, Bee) are still recording double-digit increase in revenues.

Foreign revenues amounted to ca. €34.5mn (+20% y/y) at 54% of total, whereas recurring revenues represent 29% of total (+19% y/y), at ca. €19mn.

MailUp Group: Revenues breakdown by legal entity (FY19-20) (*)

€ mn	FY19	(as %)	FY20	(as %)	y/y Δ (%)
MailUp Spa	15.1	*24.8%*	15.7	*24.1%*	4.0%
Agile Telecom	41.5	*68.3%*	43.0	*65.9%*	3.6%
Acumbamail	1.2	*2.0%*	1.6	*2.5%*	33.3%
BEE	2.6	*4.3%*	3.9	*6.0%*	50.0%
Datatrics	2.4	*3.9%*	2.9	*4.4%*	20.8%
Other (cons. Adj)	-2.0	*-3.3%*	-1.9	*-2.9%*	nm
Total Revenues	**60.8**	*100.0%*	**65.2**	*100.0%*	**7.3%**

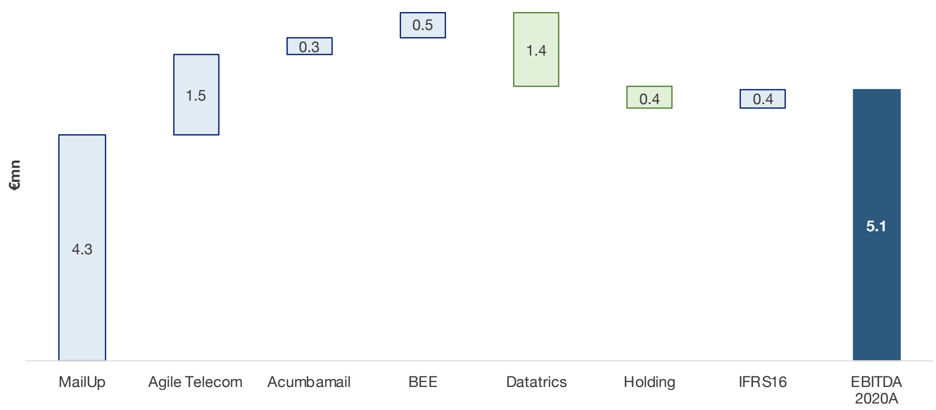
Source: MailUp Group, Value Track Analysis (*) Unaudited, based on management account.

Higher S&M and R&D costs led EBITDA margin to 7.8%

Gross Profit increased by 24.6% y/y to €20.8mn, with a 443bps margin improvement to 31.9%, as result of a different product mix, with the lower weight of SMS business, by nature highly price-oriented, and the greater incidence of BEE and Datatrics higher margins.

FY20 Operating costs increased by 32.1% to €15.7mn, rising their relative weight on revenues, in particular we highlight the significant increase in S&M and R&D activities (accounted as Opex), growing +37.7% and +74.6% respectively, and consistent with Group's strategy to reinvest part of margins to keep pushing on business acceleration and further foster medium-term growth. This trend is also confirmed by the (*i*) lower y/y contribution of BEE to consolidated figure, and (*ii*) the EBITDA loss reported by Datatrics (€-1.4mn) that partially offset the good performance of MailUp business unit. Overall, EBITDA was around €5.1mn in FY20, basically flattish y/y (+6.1%), while EBITDA margin on Sales, declined by 87bps (7.8% EBITDA margin).

MailUp Group: Reported EBITDA bridge FY2020



Source: Company figures, Value Track Analysis

MailUp: P&L figures (FY19-20)

€mn (*)	FY19	FY20	y/y Δ (%)
Total Revenues	**60.8**	**65.2**	**+7.3%**
COGS	-44.1	-44.4	
Gross Profit	**16.7**	**20.8**	**+24.6%**
Gross Margin (%)	***27.5%***	***31.9%***	***+443bps***
S&M	-4.4	-6.1	
R&D	-1.6	-2.9	
G&A	-5.9	-6.8	
EBITDA	**4.8**	**5.1**	**+6.1%**
EBITDA margin (%)	***7.9%***	***7.8%***	***-87bps***
Depreciation & Amortization	-2.9	-3.7	
EBIT	**1.8**	**1.4**	**-25.4%**
Net Fin. Income (charges)	0.0	-0.2	
Taxes	-0.7	-0.6	
Net Profit	**1.2**	**0.6**	**-50.9%**

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

Net Cash at €2.5mn, basically flat y/y

At Balance Sheet / Cash Flow statement level, we note the following:

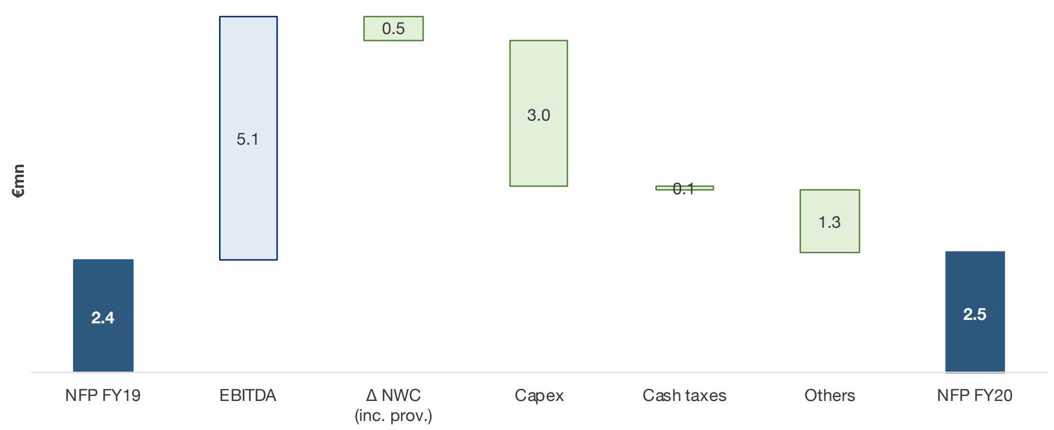
- **Net Working Capital at €-9.9mn (+€0.8mn),** impacted by some non-renewal in subscriptions in 4Q, (i.e. contracts deal with annual renewal set at the end of the year);
- **Capex** substantially **stable at €3mn**;
- EBITDA cash conversion ratio (i.e. OpFCF/EBITDA) at 30%, down vs. 47% in FY19 due to above mentioned NWC absorption;
- **Positive Net Financial Position at €2.4mn**, (€2.5mn in FY19), resulting from the higher expenditures the Group faced over the year particularly in R&D activities, with total spending (Capex + Opex) at €4.7mn (+45% y/y at 7.2% of Sales). IFRS16 impact on NFP was €3.7mn;
- That said, **MailUp Group is still relying on a solid financial structure,** with Cash & Cash equivalent at €10mn, allowing the management to consider possible new M&A deals aimed at completing the product offer and/or expand its geographic footprint.

MailUp Group: Balance Sheet figures (FY19-1H20-FY20)

(€ mn)	FY19	1H20	FY20
Net Fixed assets	27.6	27.8	27.3
Net Working Capital	-10.7	-11.8	-9.9
Severance pay and funds	2.3	2.3	2.6
Total Capital Employed	**14.6**	**13.7**	**14.8**
Group Net Equity	**17.0**	**17.3**	**17.3**
Net Fin. Position [Net debt (-) / Cash (+)]	**2.4**	**3.7**	**2.5**

Source: MailUp Group, Value Track Analysis

MailUp Group: Cash flow bridge FY20



Source: Company figures, Value Track Analysis

2020 MarTech: key facts & figures

2020 has been an extremely dynamic year for MarTech sector, with main market trends summarized as follows:

- Still growing in 2020, with +1,000 new solutions launched;
- Consolidation process goes on;
- M&A activity facing a significant rebound in 4Q20;

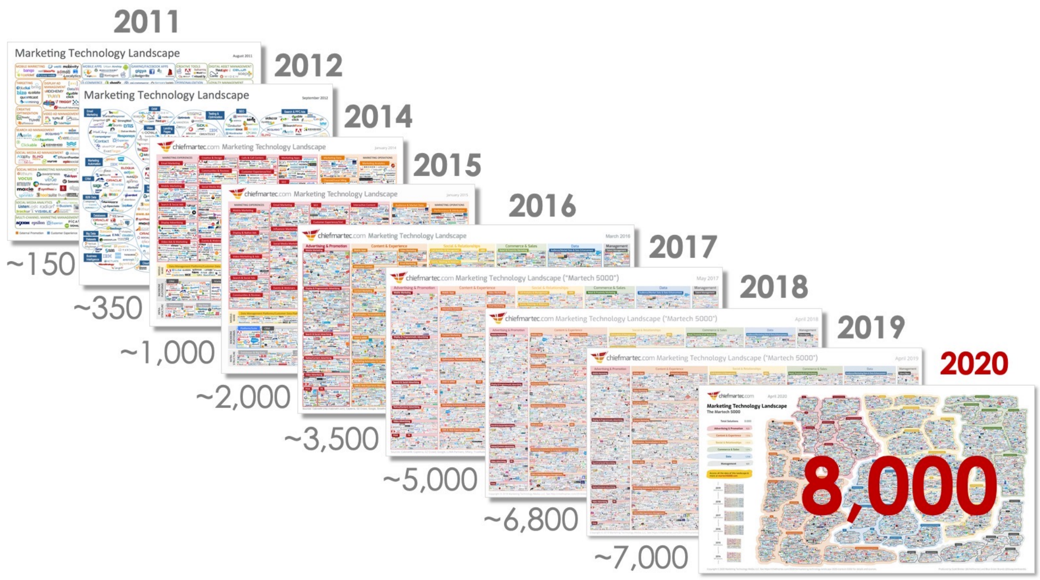
MarTech Space still growing double-digit in 2020, with +1,000 new solutions launched

According to the Marketing Technology Landscape published by Chiefmarket, **in 2020 the MarTech space accounted for ca. 8,000 solutions**, a huge number if compared to ca. 150 "live" in 2011, that is circa 50x increase.

Hence, the past year was not an exception to this sizeable growth, with +1,000 new solutions launched, ca. 14% y/y growth, and with the **worldwide spend on marketing technology achieving $121.5bn level.**

However, if we remove those 615 companies from last year's 7,040 count, either consolidated with another MarTech company or simply gone defunct, then the growth of new entries was actually 24.5%, i.e. 1/ 5 current solutions were not available on the last year.

MarTech Landscape: 2011-20 growth



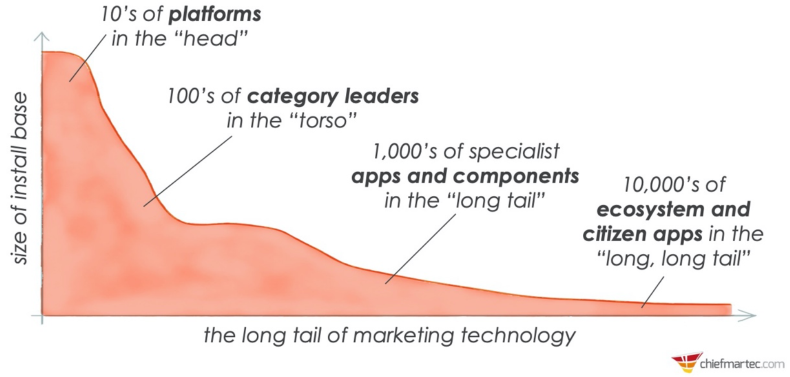
Source: Chiefmartec.com

MarTech is in the middle of a consolidation process

Despite the MarTech market is still at its early stages – in 2011 just 150 solutions were available – there are a consolidated number of platforms that dominate global market share, continuously expanding their range of solutions, also acquiring smaller companies.

Then, there are a few hundred category leaders, with proprietary solutions more focused on a particular capability and / or specific vertical with revenues in the $10-$100mn range, while at the end there is a long tail of thousands of specialists and start-ups, which aspire to be the next "unicorn".

MarTech Landscape: 2020 structure



Source: Chiefmartec.com

M&A activity facing a significant rebound in 4Q20

Despite an overall decrease in M&A activity (number of transactions down 46% y/y in 2020) mainly due to Covid-19 negative implications, the MarTech industry saw a M&A resurge towards the end of the summer, in particular within Data & Identity fields, as first-party data becomes increasingly important to the advertising, marketing, and commerce industries.

We note that **several deals revolved around the orchestration and organization of first-party consumer data** (that's to say the space where Datatrics currently operates):

- Salesforce, acquired Evergage, a real time personalization customer data platform (CDP);
- Twilio made its largest acquisition to date by acquiring the CDP Segment for $3.2bn;
- Upload Software acquired BlueVenn, a leading UK cloud-based CDP;
- Bloomreach acquired back in January the CDP Exponea;
- Episerver acquired back in March the CDP Zaim;
- Sitecore acquired back in Mach the CDP Boxever.

We also highlight the acquisitions of (*i*) Emarsys, an omnichannel customer engagement platform recently acquired by SAP and (*ii*) Sellingent Marketing Cloud, an omnichannel customer engagement platform acquired by CM Group, a family of martech companies focused on multichannel campaign management and email marketing. Last but not least, we remind the acquisition of IMImobile, – often used as a comparable for MailUp Group fair equity valuation – recently finalized by Cisco for a total consideration of $730mn, with ca. 50% premium vs. the closing price, and implying an EV/Sales and EV/EBITDA on 2021E market consensus of 3x and 22x respectively.

Biggest M&A deals in the MarTech space

Date	Bidder	Target	Target business profile
02/2020	Salesforce	Evergage	*Real-time personalization customer data platform (CDP)*
02/2020	Upland Software	BlueVenn	*Predictive insights & omnichannel marketing automation Powered by its CDP*
10/2020	SAP	Emarsys	*Omnichannel customer engagement platform*
11/2020	Twilio	Segment	*Cloud Communication / Customer Data Platform*
11/2020	CM Group	Selligent Marketing Cloud	*Omnichannel Marketing Cloud Platform*
12/2020	Cisco	IMImobile	*Cloud communication software & solutions provider*

Source: Various

Updating 2021E-22E Group estimates

Main ingredients to get back growing, faster and mindfully

During the conference call post FY20 results, the management stressed the intention to keep investing to foster medium term growth with actions such as:

- **Exploit M&A opportunities both at domestic level and abroad** – the Group is looking for €4-5mn revenue Italian scale-up company with a positive cash generation, without neglecting new opportunities currently emerging in the UK market. For the time being, the Group has given up the idea of acquiring a US-based company, given the extremely demanding valuation that SaaS companies are currently displaying on that specific area;
- **Launch the project of a possible transition to more rewarding stock market segments** (e.g. MTA market STAR segment), which would facilitate the access to a wide range of institutional investors, particularly at European level;
- **Attract and acquire new talents**, with a continuous strengthening of first line management, particularly for BEE and Datatrics, to quicken their transitions to the scale-up phase. Ca, 60 hiring expected by 2021, almost equally split among Italy, Netherlands and US;
- **Change its legal name into Growens**, a name which further reflects the continuous strive towards mindful growth and innovation of the Group.

As far as the various business units are concerned, MailUp Group has released some insights on the actions to be pursued in 2021. In a nutshell:

- **Agile Telecom** – The focus should be on profitability and offer portfolio widening thanks to cPaaS subscription-based services;
- **Acumbamail** should keep developing its business with a very lean and efficient approach, as also highlighted by the good ratings collected by the newest product Gumbamail;
- **BEE** – BEEPro is reaching new all-time highs every month, and BEEPlugin is starting to recover after a challenging 2020. More, the Group expects that the new key hires in sales and marketing scheduled in 1Q will unlock a further acceleration by the end of the year;
- **Datatrics** – Go-to-market approach should turn towards a more scalable and self-provisioning one, relying on an enhanced infrastructure (Amazon AWB), and a reinforced management team, expected to be effective by 3Q21;
- **MailUp** – New growth strategies should take a few quarters to deploy their impact. Given the good signs coming from the Latam market, MailUp will invest more in developing that region and finding new exclusive partners to enter new markets.

New vs old estimates

On the light of FY20 financial results and the poor visibility on short-term outlook, linked to the widespread climate of uncertainty due to pandemic, we are revising our 2021E-'22E estimates to factor in a worse than previously expected market scenario, and extending our forecast period to 2023.

At the end of the day, we believe Covid-19 related implications caused some slowdowns in MailUp business development, and inevitably impacted its fast-growing profile, hence we shift our growth expectations by one year.

Moving to numbers, main changes basically relate to the following elements:

- **Revenues** – we cut our growth forecasts by 8% and 9% in 2021E-22E, incorporating a different Covid-19 impact on the various business units i.e. lower than previously expected growth rates for Datatrics, a slight lower one for Bee, MailUp and Agile Telecom, while we revised upwards Acumbamail forecasts, likely to benefit from Group strategy to invest more in Latam;

  Our new estimates unveil a 9% revenue growth in 2021, then we expect the Group to keep growing double-digit in 2022E-23 (14% on average), up to ca. €94mn by 2023E;
- **Operating expenses** – as depicted above, corporate strategy seems to remain focused on speeding up investments in order to further foster medium term growth.
- **EBITDA** – as result, we revised downwards our EBITDA estimates for 2021E at €5.3mn (down from previous €6.7mn), and for 2022E at €6.8mn (down from previous €8.0mn). We also shift Datatrics breakeven point to 2022E;
- **Operating Cash Flow** – expected to come in definitely lower than previously expected in 2021, due to lower earnings, less favourable working capital dynamics, and unchanged Capex. Then we expect a strong recovery with a sound cash generation across 2021E-22E (ca. €8mn);
- **Net Financial Position** – as a result, Net Cash Position is expected to increase less rapidly, hence, to reach €12mn by 2023E, and likely to be exploited for M&A transactions.

MailUp Group: New vs. Old estimates

	2021E			2022E		
€mn	Old	New	Δ(%)	Old	New	Δ(%)
Net Revenues	**77.2**	**70.9**	**-8.1%**	**89.7**	**81.4**	**-9.2%**
EBITDA	**6.7**	**5.3**	**-20.5%**	**8.0**	**6.8**	**-15.2%**
EBITDA margin (%)	*8.5%*	*7.4%*	*-116bps*	*8.8%*	*8.3%*	*-59bps*
EBIT	**3.0**	**1.5**	**-50.1%**	**4.1**	**2.9**	**-29.5%**
EBIT margin (%)	*3.9%*	*2.1%*	*-180bps*	*4.6%*	*3.6%*	*-103bps*
Net Cash Position	**7.2**	**3.1**	**-4.1**	**11.4**	**6.6**	**-4.8**

Source: Value Track Analysis

MailUp Group: New vs. Old Revenues estimates

	2021E			2022E		
€mn	Old	New	Δ(%)	Old	New	Δ(%)
MailUp	18.1	16.3	-10%	19.2	18.0	-6%
Agile Telecom	46.5	43.5	-6%	50.0	48.0	-4%
Acumbamail	1.9	2.0	8%	2.3	2.5	8%
BEE	6.1	5.5	-11%	9.1	7.2	-21%
Datatrics	4.6	3.7	-20%	10.1	5.7	-43%
Total Group Revenues	**77.2**	**70.9**	**-8.1%**	**89.7**	**81.4**	**-9.2%**

Source: Value Track Analysis

MailUp: P&L figures 2020A-23E

€mn	2020A	2021E	2022E	2023E
Net Revenues	**63.7**	**70.9**	**81.4**	**92.7**
Other Revenues	1.5	1.0	1.0	1.0
Total Revenues	**65.2**	**71.9**	**82.4**	**93.7**
COGS + Other Opex	-44.6	-49.2	-56.5	-65.0
Labour costs	-15.5	-17.4	-19.1	-20.6
EBITDA	**5.1**	**5.3**	**6.8**	**8.2**
EBITDA margin (%)	***7.8%***	***7.4%***	***8.3%***	***8.7%***
Depreciation & Amortization	-3.7	-3.8	-3.9	-3.9
EBIT	**1.4**	**1.5**	**2.9**	**4.3**
Net Fin. Income (charges)	-0.2	0.0	0.0	0.0
Taxes	-0.6	-0.5	-0.9	-1.4
Net Profit	**0.6**	**1.0**	**2.0**	**2.8**

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

(1) Value Track Estimates for FY20

MailUp: Balance Sheet figures 2020A-23E

€mn	2020A	2021E	2022E	2023E
Net Working Capital	-9.9	-8.8	-9.6	-10.2
Net Fixed Assets	27.3	26.8	26.5	26.1
Provisions	2.6	2.8	3.2	3.6
Total Capital Employed	**14.8**	**15.2**	**13.7**	**12.3**
Group Net Equity	**17.3**	**18.3**	**20.3**	**23.1**
Net Fin. Position [i.e. Net Debt (-) Cash (+)]	**2.5 (*)**	**3.1**	**6.6**	**10.7**

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

(*) IFRS16 impact on NFP 2020 at€3.7mn

MailUp: Cash Flow figures 2020A-23E

€mn	2020A	2021E	2022E	2023E
EBITDA	**5.1**	**5.3**	**6.8**	**8.2**
Working Capital Change	-0.8	-1.1	0.8	0.5
Capex	-3.0	-3.3	-3.6	-3.5
Change in Provisions	0.3	0.2	0.4	0.4
Cash Taxes	-0.1	-0.5	-0.9	-1.4
OpFCF a.t.	**1.5**	**0.6**	**3.5**	**4.2**
Other (Incl. Fin. Inv.)	-1.1	0.0	0.0	0.0
Net Financial Charges	-0.2	0.0	0.0	0.0
Net Cash generated	**0.2**	**0.6**	**3.5**	**4.2**

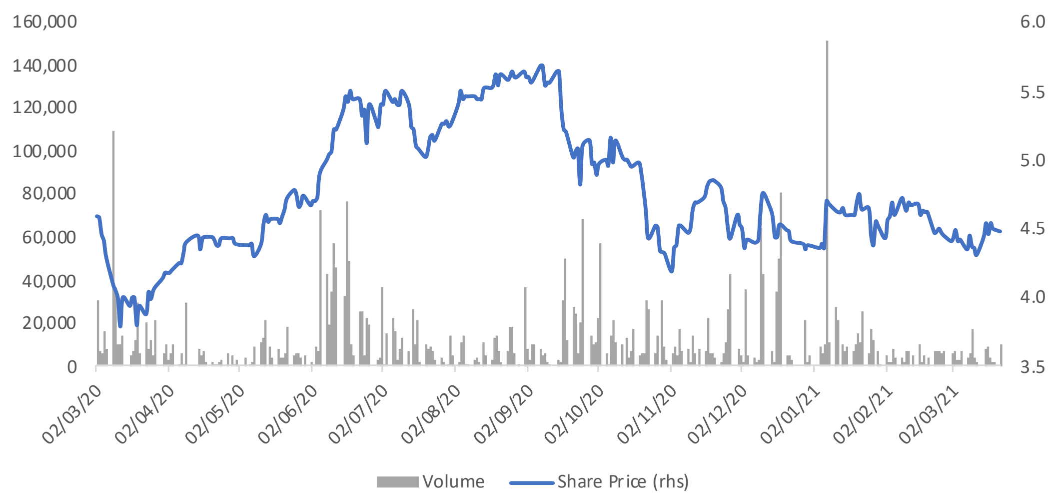
Source: MailUp (historical figures), Value Track (forecasts)

Investment summary & Update fair value

MailUp Group current share price is back to €4.5 recorded one year ago, 20% above €3.8 reached in the middle of sanitary emergency in Italy (March'20), and still well-off stock's peak (€5.7) achieved in the post-lockdown.

On the contrary, if we look at the most comparable stocks within the MarTech space, they recorded a 100% average increase in Market Cap in 2020 and are currently trading at impressive multiples, that's to say EV/LTM Revenue at 10x on median value. Unfortunately, they relate to US and UK markets, were valuation metrics and investors' appetite differ a lot from the domestic ones. To this point, as also stated in our previous equity notes, the utilisation of US-style valuation methodologies would further increase the fair equity valuation of MailUp Group, particularly for BEE, the American scale-up company based in Silicon Valley, organized according to the dual company model, i.e. business team located in USA, while technology team in Italy.

MailUp Group: Shares almost flattish over the last year



Source: Value Track Analysis

Fair-value confirmed at €5.65

We believe MailUp shares are trading at unfairly trading multiples: 0.9x/0.7x EV/Sales and 12.0x/8.9x EV/ EBITDA based on VT 2021E-22 estimates. MailUp Group current valuation does not fully reflect MailUp Group hallmarks:

i) fast growing profile – total turnover multiplied by 6x in 5 years;

ii) international footprint – foreign sales at 54%;

iii) leading position in a dynamic reference market – first player in Italy, among top5 at European level;

iv) unlocked business potential arising from BEE scale-up acceleration;

v) high revenue stream visibility linked to the subscription business model, with annual recurring revenues at 29%.

Based on a Sum of the Parts valuation, we confirm our **fair equity value per share at €5.65** on a fully diluted basis (that's to say assuming 1.27mn shares to be issued for Datatrics earnout). At such fair value, the stock would trade at 15x and 11x EV/EBITDA 2021-22, still implying a huge discount vs. US and UK direct peers, anyway almost in line with a small cluster of AIM Italia listed companies active in the technology field.

SoP valuation: key assumptions and output

The Sum-of-the-Parts model gives us a €5.65 fair equity value per share (on a fully diluted basis), stable vs. our latest valuation data point (Sep'20).

We slightly increase the relative valuation of BEE, MailUp and Acumbamail, to take into account their business resiliency.

Conversely, we marginally cut Agile Telecom and Datatrics valuations to factor in a weaker market outlook, with the former suffering from the material slowdown in "drive-to-store" traffic, and the latter penalized by the weakness of marketing investments, a greater churn of expired subscriptions and a persistent disadvantage in the travel & hospitality industries.

Summing up, our SOP is fuelled by the following assumptions:

- **MailUp Spa** – an unchanged EV/Sales multiples for MailUp business unit (1.7x), together with an EV/EBITDA (12.0x) still below Dotdigital (by far the most comparable company) current multiples;
- **Agile Telecom** – unchanged EV/Sales multiple (1.0x) for Agile Telecom, combined with an EV/EBITDA multiple at 10.0x, which definitely match the industrial profitability resulting from the light capital structure characterized by low capex requirements (i.e. EBITDA mirrors to OpFCF);
- **Acumbamail** – an unchanged EV/Sales multiple for Acumbamail (1.7x) averaged by an EV/EBITDA multiple (12.0x), aligned to MailUp business unit;
- **BEE** – un unchanged EV/Sales at 3.5x, consistent with our "base case" scenario coming from the user-based valuation, although we are aware that an increase in lifetime value would lead the valuation upwards;
- **Datatrics** – similar to BEE, we assess Datatrics equity value through a user-based valuation, which leads to €10.5mn (slightly below our latest valuation) or 2.8x EV/Sales 21E;

MailUp Group: Sum-of-the-Parts valuation

Company	Stake (%)	EV (€mn)	EV (%)	Valuation Method
MailUp	100%	36.0	35.6%	1.7x EV/Sales '20 - 12.0x EV/EBITDA '21
Agile Telecom	100%	31.1	30.8%	1.0x EV/Sales '20 - 10.0x EV/EBITDA '21
Acumbamail	100%	3.8	3.8%	1.7x EV/Sales '20 - 12.0x EV/EBITDA '21
BEE	100%	19.0	19.3%	User-based Valuation
Datatrics	100%	10.5	10.4%	User-based Valuation
Gross Asset Value		**100.4**	**100.0%**	
Group Net Cash Position 2021E		3.1		
€1.0mn Unallocated holding costs @ 8.5% WACC		11.8		
Net Asset Value		**91.8**		
Number of shares fully diluted		16.2		
Fair equity value per share		**5.65**		

Source: Value Track Analysis

Looking overseas: the valuation gap between "Tech" and RoW is sharply increasing

Public equity markets in 2020 experienced a similar pace to M&A Activity (we see before), sharply recovering by the end of the year, and most notable indices trading near all-time highs.

While market levels generally came back to pre-Covid levels, the valuation gap (in terms of trading multiples) between tech-focused and more traditional companies is sharply increased, in particular in the US and UK markets, with many companies within the MarTech space, doubling their Market Cap, and over-performing by far the most reference indices.

More, if we focus on the relative valuations, they are clearly trading at impressive multiples (EV/LTM Revenue at 10x on median value).

….hence, what if BEE was listed in USA?

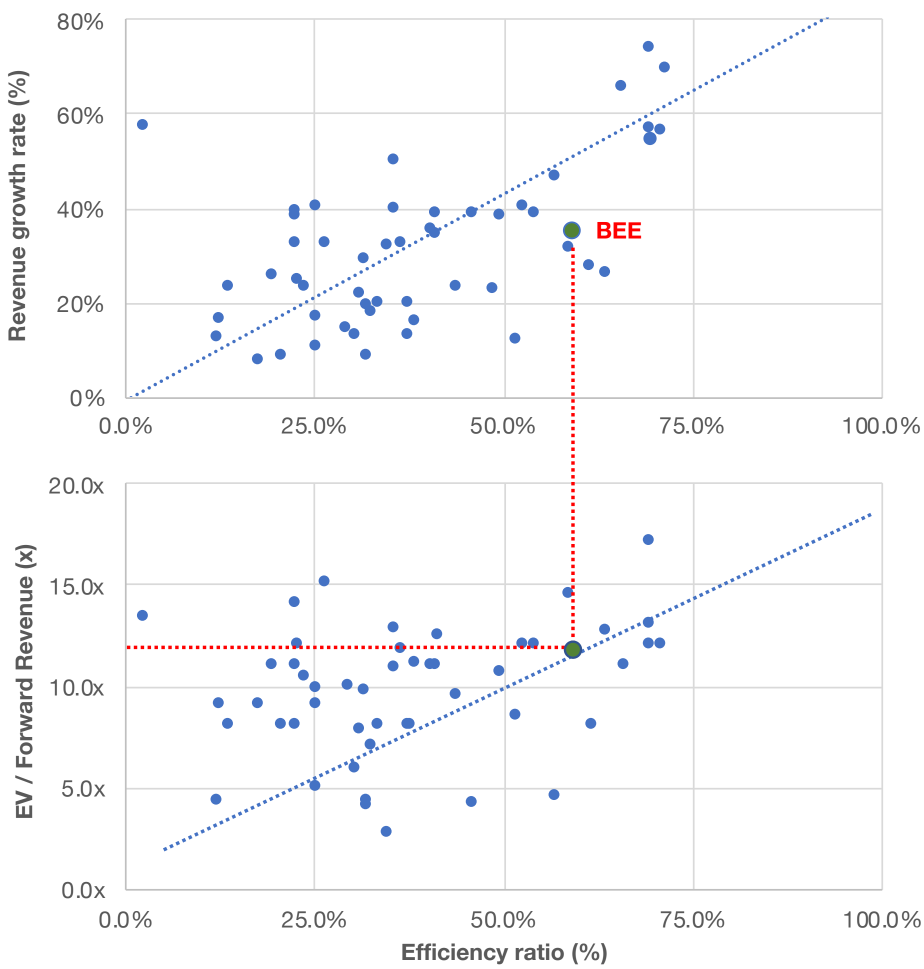
The high revenue multiples shown by selected companies involved in the MarTech field – in some cases between 20-30x revenues and currently at 10x based on the median value – is used particularly in the US market as a proxy for future earning streams and long-term free cash flows generation.

The hype of MarTech sector is also 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.

Hence, the "rule of 40", given by the sum of revenue growth and profitability margin, is becoming more commonly used valuation metric.

Applying such valuation methodology to BEE, the American scale-up company based in Silicon Valley, fully controlled by MailUp Group, we'd get an equity valuation on a free-debt assumption of in the €55mn-€70mn. Obviously, some kind of small size adjustment would be deserved.

BEE: Efficiency ratio (%) vs. EV/Forward Revenue multiple



Source: Bessemer Venture Partners, Value Track Analysis

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