

The Mitula Group Ltd

Meets revenue guidance, share buyback announced

The Mitula Group (MUA.AX) is a leading player in the global online classifieds industry, operating 110 vertical search sites across 52 countries covering property, auto, jobs and fashion. Mitula also operates 10 property portals across nine SE Asian markets. The company attracts more than 70m visits per month to its network and is expanding its operations from the sale of clicks to a share of the advertising and transaction revenue pools in selected markets. The company reported CY17 revenue of \$33.6m., up 19.9% on pcp, EBITDA unadjusted of \$10.54m, was down 13% on the prior year. The company guided for adjusted EBITDA of \$11.5m on 12 February; it reported adjusted EBITDA (pre forex adjustments) of \$11.6m. Including forex adjustments, EBITDA was \$10.5m, down 13.2% on pcp. CY17 NPAT was \$5.3m, below consensus for \$6.5m.

Business model

Traditionally the Mitula Group monetised its ~75m visits per month through the sale of clicks via either Google AdSense or to its advertising partners on a “cost-per-click” (CPC) basis. The company is driving growth by moving closer to the transaction and is starting to monetise its audience by the sale of display and listing advertising and by participating in transactions. The acquisition of DotProperty in October 2016 delivered 10 property portals in South East Asia and grew advertising revenues for the Group. The March 2017 purchase of fashion vertical search specialist Fashiola which operates across 20 countries is helping drive transaction based revenues for the Group.

Full year result, Outlook and Consensus forecasts

MUA reported CY17 revenues of \$33.6m, up 19.9% on pcp and in line with its post balance date guidance on February 12. The increase in revenue, however did not flow through to gross profit which increased 5% on pcp to \$25.8m reflecting the combined effect of traffic acquisition and lower margins within the transaction led businesses. NPAT of \$5.3m, down 35% on pcp and below consensus for \$6.5m. The result was impacted by a forex loss (\$1.1m versus a profit of \$0.2m) and higher D&A charges. We note consensus NPAT (derived from 1 broker) subsequently has been reduced by 22% and 41% respectively for CY18 and CY19. MUA has announced a share buyback of up to 10% of its issued capital which will be undertaken by Baillieu Holst over a 12-month period from March 15. The buyback should assist in near term price support.

Earnings history and Consensus forecasts (A\$m)

Y/E	Revenue	EBITDA	EBIT	NPAT*	EPS (c)	PE (x)	P/CF (x)
12/16	28.0	12.1	10.2	8.2	3.8	11.5	8.6
12/17	33.6	10.5	6.9	5.3	2.4	18.0	8.9
12/18e	39.0	12.1	n/a	5.1	2.4	18.6	n/a
12/19e	46.0	12.3	n/a	4.8	2.2	19.7	n/a

Source: Company data; Consensus for FY18 and FY19 derived from Thomson Reuters

Share details

ASX Code	MUA
Share Price	\$0.44
Market Capitalisation	\$95M
Number of shares	215.4m
Enterprise Value	\$82M
Free Float	48%

Share price performance



RaaS RAP 5-point score* = 3/5

Revenue increasing (1) EPS increasing (0), Return on Capital Employed up (0); EBIT interest cover >3x (1) Gross Operating cash flow/EBITDA >90%(1)

Upside Case

- Strong board and management with proven online expertise
- Strong operating cashflow generating \$8.2m in CY17 with sufficient cash on hand for strategic acquisitions and capital management initiatives
- Acquisition of Kleding and Fashiola brands moves Mitula into transaction revenue stream

Downside Case

- Shift into transactions and advertising could create competitive tension with cost per click customers
- Tightly held share register reduces liquidity
- Reliance, although diminishing, on Google's SEO traffic

Catalysts

- Evidence of consensus outperformance
- Earnings enhancing acquisitions

Comparative companies (Australia & NZ)

REA, DHG, TME, CAR, FDV, ICQ

Substantial Shareholders

Gonzalo del Pozo Sanchez (CEO/MD) 12.5%, Gonzalo Ortiz Sanz (NED) 11.4%, Marcelo Badimon Reverter 12.4%

RaaS Advisory contacts

Finola Burke	+61 414 354 712 finola.burke@raasgroup.com
Moir Daw	+61 418 697 275 moira.daw@raasgroup.com

DISCLAIMER and DISCLOSURES

This report has been prepared and issued by RaaS Advisory Pty Ltd (A.B.N. 99 614 783 363) and should be read in conjunction with RaaS Advisory's Financial Services Guide at www.raasgroup.com. All information used in the publication of this report has been compiled from publicly available sources that are believed to be reliable; however RaaS Advisory cannot guarantee the accuracy or completeness of this report. Opinions contained in this report represent those of the principals of RaaS Advisory at the time of publication. RaaS Advisory has previously been contracted by Mitula Group to provide research and investor services but this contract ceased on September 1, 2017.

RaaS Advisory is a Corporate Authorised Representative under AFSL licence No 456663. This is not a solicitation or inducement to buy, sell, subscribe, or underwrite any securities mentioned or in the topic of this document. This document is provided for information purposes only and should not be construed as an offer or solicitation for investment in any securities mentioned or in the topic of this document. Forward-looking information or statements in this report contain information that is based on assumptions, forecasts of future results, estimates of amounts not yet determinable, and therefore involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of their subject matter to be materially different from current expectations. Past performance is not a guarantee of future performance. To the maximum extent permitted by law, RaaS Advisory, its affiliates, the respective directors, officers and employees will not be liable for any loss or damage arising as a result of reliance being placed on any of the information contained in this report and do not guarantee the returns on investments in the products discussed in this publication. Copyright 2018 RaaS Advisory Pty Ltd (A.B.N. 99 614 783 363). All rights reserved.