

## Mitula Group

### CY17 Guidance of 40-56% EBITDA uplift

The Mitula Group (MUA.AX) is a leader in global online classifieds operating 104 vertical search sites across 51 countries covering property, auto, jobs and fashion. Mitula also operates 10 property portals across nine SE Asian markets. The company attracts more than 80m 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. It recently acquired Kleding BV, a Netherlands-based operator of 16 fashion sites across 15 different countries, for €10m (A\$13.7m), 1.0m shares and potential a performance based earn-out. The company's CY17 guidance, which does not include this acquisition, is for revenue of \$38-41m and an Adjusted EBITDA\* of \$17-19m.

### Business model

Traditionally the Mitula Group monetised its 80+ m 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 delivered 10 property portals in South East Asia and grew advertising revenues for the Group. The March 2017 purchase of fashion vertical search specialist Kleding, which operates the Kleding and Fashiola brands in 15 countries, will help drive transaction based revenues for the Group.

### CY16 Earnings

The company has reported CY16 revenues of \$28.0m, up 36.2% on the prior corresponding period. In constant currency terms, revenues were up 38.7%. Almost half the group's revenues were derived from Tier 1 established markets with sales increasing 51% year-on-year. Adjusted EBITDA\* was \$12.7m, a margin of 45.3% and a growth of 32.9% on the previous corresponding period.

### Consensus and CY17 Outlook

Mitula expects to deliver strong revenue and earnings growth in CY17. It has provided guidance of \$38-41m for revenue and \$17-19m for Adjusted EBITDA\*. The company has not changed its guidance and this excludes the Kleding acquisition. Kleding generated \$4.1m in revenue and \$0.6m in EBITDA in the 12 months to December 31, 2016. Consensus for CY17 is for revenue of \$39.8m and EBITDA of \$18.0m, in line with the company's guidance. Forecasted EPS of 6.0c/share puts the company on a forward PER of 15.0x, in line with the broader market, albeit offering superior earnings growth.

\*Adjusted for transaction costs, and in prior years IPO/transaction costs.

#### Historical earnings and Consensus estimates

Year end	Revenue (\$m)	Adj. EBITDA* (\$m)	NPAT (\$m)	EPS (c)	P/E (x)
12/15	20.6	9.6	5.7	3.0	30.0
12/16	28.0	12.7	8.6	4.0	22.5
12/17e	39.8	18.0	13.1	6.0	15.0
12/18e	48.0	22.0	16.3	7.5	12.0

Source: MUA data, Consensus forecasts as from Thomson Reuters as at 17 March 2017 \*Adjusted for IPO and transaction costs

#### Share details

ASX Code	MUA
Share price (at 17 Mar17)	\$0.90
Market Capitalisation	\$192m
Shares on issue	214.2m
Net cash at 31 Dec 2016	\$20.5m

#### Share performance (12 months)



#### Upside Case

- Strong board and management with proven online expertise
- Strong operating cashflow generating \$11.0m in CY16 with sufficient cash on hand for strategic acquisitions
- 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

#### Board of Directors

Simon Baker	Non-Executive Chairman
Gonzalo Del Pozo	CEO/Executive Director
Gonzalo Ortiz	Non-Executive Director
Joe Hanna	Non-Executive Director
Georg Chmiel	Non-Executive Director
Sol Wise	Non-Executive Director

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