

## The Mitula Group Ltd

### Good start to CY18 with Q1 revenues up 17.4 percent

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 ~75m 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 Q1 revenue growth of 17.4% to \$9.3m and record monthly revenue for March of \$3.5m. MUA noted that 75.8% or \$7.05m of its revenues were generated by clicks, with \$2.25m generated from advertising and transaction based products.

### 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.

### Q1 result

MUA reported record quarterly revenues of \$9.3m for Q118, an increase of 17.4% on Q117. The result was driven by an 8.8% increase in traffic to 223m visits and an increase in transaction- based and advertising revenues. MUA noted that its closer to the transaction strategy had resulted in 24.2% or \$2.25m of revenues for the quarter being derived from advertising and transactions. This compares with 16.9% of total revenues in Q117, an estimated increase of 62% year on year. Underlying revenues from clicks, the traditional core business, increased an estimated 3.5% to \$7.05m. We note consensus revenues for CY18 (derived from 2 brokers) ranges from \$39.0m to \$41.7m which reflects year on year growth of 16% to 24%. Consensus NPAT from these two brokers, however ranges from \$2.4m to \$5.8m. This highlights the problem for smaller companies and their investors when broker coverage is limited. The company’s share buyback of up to 10% of issued capital should assist in near term price support. MUA’s AGM is scheduled for May 24.

#### Earnings history (A\$m)

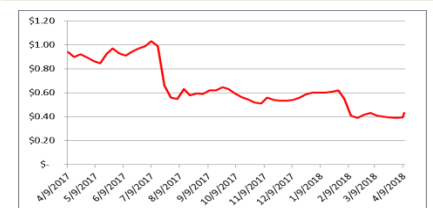
Y/E	Revenue	EBITDA	EBIT	NPAT*	EPS (c)	PE (x)	P/CF (x)
12/15	20.6	9.5	6.4	4.6	2.4	17.8	19.0
12/16	28.0	12.1	10.2	8.2	3.8	11.2	8.4
12/17	33.6	10.5	6.9	5.3	2.4	17.6	8.7

Source: Company data

#### Share details

ASX Code	MUA
Share Price	\$0.43
Market Capitalisation	\$93M
Number of shares	215.4m
Enterprise Value	\$80M
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 \$13m 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%

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