

Italy – Marketing Technology

A highly-complementary, profitable and sized SaaS player

12th April 2022

CONTACTLAB ACQUISITION

RIC: GROWE.MI
BBG: GROW IM

Growens announced the acquisition of Contactlab, a domestic player offering SaaS solutions in the cloud marketing technology field. The company is definitely complementary to the MailUp business unit, both in terms of customers and products. The group's M&A firepower remains huge: now a possible target might be to enrich BEE's offer.

Rating:

Buy

Price Target:

€ 6.60 (€ 6.20)

Upside/(Downside): 26.9%

Last Price: € 5.20

Market Cap.: € 77.8m

1Y High/Low: € 5.48 / € 3.81

Avg. Daily Turn. (3M, 6M): € 29k, € 38k

Free Float: 36.5%

Major shareholders:

Alberto Miscia	10.7%
Matteo Monfredini	10.6%
Nazzareno Gorni	10.6%
Luca Azzali	10.2%
Matteo Bettoni	10.1%



Stock price performance

	1M	3M	12M
Absolute	9.2%	-1.1%	21.5%
Rel.to FTSE IT Growth	4.4%	5.8%	2.0%
Rel.to Peers median	10.7%	26.8%	72.1%

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New PT at € 6.60/s (€ 6.20) as a result of the upgraded estimates. Buy reiterated.

The acquisition of Contactlab brings € 8.3m (€ 0.40/s) additional value to Growens. The deal is accretive at EBITDA level already as from 2022. We estimated Contactlab would grow with a CAGR₂₁₋₂₄ of 9.2% and a more than proportional progression in margins, thanks to gradually taking advantage of cost and revenue synergies with MailUp. On a consolidated basis, the combined result is an avg. 14.7% and 16.6% increase in Revenues and EBITDA in 2022-24. In terms of bottom line, the consolidation of Contactlab produces an avg. 9.2% decrease in Net Profit in 2022-24, as a result of the consistent amount of D&A. As a result of the update to estimates and the DCF valuation criteria, we set a new PT for Growens at € 6.60/s (€ 6.20), with an upside of 26.9% to current price levels. Buy.

Growens acquired 100% of Contactlab for 0.4x Sales and 4.5x EBITDA

Growens signed a binding agreement for the acquisition of 100% of Contactlab for € 5.0m in addition to a maximum earn-out of € 6.6m upon the achievement of certain strategic and profitability targets in 2022-24. In detail, € 3.75m will be paid in cash at the closing date while the remaining € 1.25m through the assignment of Growens' treasury shares to the sellers. The earn-out will be paid partly in cash and, if necessary, partly in shares. The total consideration, excluding the earn-out, corresponds to 0.4x and 4.5x EV/Sales₂₁ and EV/EBITDA₂₁, respectively. The deal also includes certain management agreements, such as the appointment of Massimo Fubini as the managing director of the MailUp + Contactlab BU. The closing date is expected by mid-May-22 and Contactlab's selling shareholder will hold a 1.3% stake in Growens. The company will be consolidated as of 1-Jan-22.

A leading domestic MarTech player specialised in customer engagement

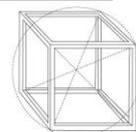
Established in 1998 by the current CEO and main shareholder, Massimo Fubini, Contactlab is a leading Italian player operating in the cloud MarTech segment. Contactlab is a historical competitor of MailUp, being the third domestic email service provider. It provides its clients with solutions aimed at enhancing customer engagement strategies and designing digital marketing campaigns. Contactlab operates in two business segments: 1) Marketing Cloud, providing customers with a proprietary SaaS platform able to perform data analysis, automated marketing campaigns, multi-channel communication and useful insights; 2) Agency, namely consulting services on e-commerce and digital marketing to create tailor-made marketing campaigns. FY-21 preliminary figures show sales of € 10.9m, EBITDA of € 1.0m, 9.3% margin and NFP equal to € 0.4m cash.

The perfect fit with MailUp business unit with significant potential synergies

The strategic rationale of the deal lies in the perfect complementarity between Contactlab and MailUp, both in terms of customers, products and go-to-market strategy. The integration between the two entities is expected to generate several benefits for the whole group, including the enlargement of the product portfolio, the consolidation of the group position in the SaaS business and significant cross-selling opportunities.

Growens, key financials and ratios

€ m	2020	2021	2022e	2023e	2024e
Total Revenues	65.2	71.2	91.1	101.1	110.3
EBITDA	5.1	5.2	7.6	9.6	11.1
EBIT	1.4	1.1	2.2	4.1	5.7
Net profit	0.6	0.4	1.3	2.5	3.5
NFP (cash)/debt	(2.5)	(6.5)	(4.3)	(9.3)	(15.3)
EBITDA margin	7.8%	7.3%	8.4%	9.5%	10.1%
EBIT margin	2.1%	1.6%	2.4%	4.1%	5.1%
EPS €	0.04	0.02	0.09	0.17	0.24
EPS growth	-50.9%	-34.8%	258.0%	92.9%	38.8%
Free Cash Flow Yield	2.7%	5.0%	-1.2%	6.4%	7.7%
PER x	127.2	183.3	59.0	30.6	22.0
PCF x	16.8	15.2	11.5	9.7	8.6
EV/Sales x	1.06	0.86	0.81	0.68	0.57
EV/EBITDA x	13.6	11.7	9.6	7.1	5.6
EV/EBIT x	50.2	53.9	34.0	16.7	11.0



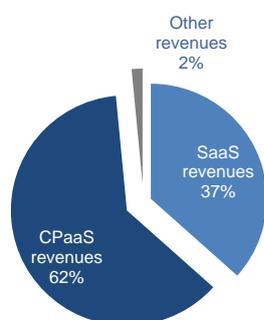
The Company at a Glance

Founded in Cremona (Italy) in 2002 as an email service provider, Growens is now a leading international player in the Global 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 26,000 customers in more than 115 countries with a wide range of solutions. Growens operates two business divisions, spread across five synergic business units, corresponding to five different companies.

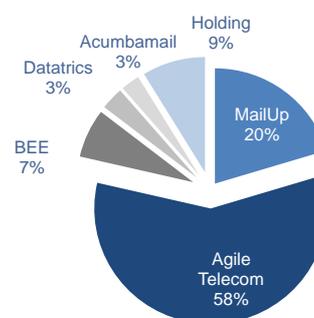
- The SaaS (Software-as-a-Service) division is characterised by subscription-based services supplied to customers via cloud platforms. It includes the following business units: MailUp, BEE, Datatrics and Acumbamail.
- The CPaaS (Communication-Platform-as-a-Service) division includes the Agile Telecom business unit, which provides messaging services on a wholesale basis using APIs.

The group has been on a significant growth path since its establishment: set up as a start-up in 2002, Growens closed FY-21 with revenues of € 71.2m, EBITDA of € 5.2m, 7.3% margin and over 260 employees. Moreover, EBIT stood at € 1.1m and Net Income totalled € 0.4m. Net Financial Position was € 6.5m cash, thanks to huge cash-flow generation. Since the IPO in 2014 the group's revenues increased by a CAGR₁₃₋₂₁ of 33.2%, thanks to organic growth boosted by a few acquisitions.

2021 breakdown by business division...



... and by business unit



Shareholder structure (post-closing date)

Shareholders	%	# m
Alberto Miscia	10.7%	1.60
Matteo Monfredini	10.6%	1.59
Nazzareno Gorni	10.6%	1.59
Luca Azzali	10.2%	1.53
Matteo Bettoni	10.1%	1.51
Pronti Gianluca	6.1%	0.91
BMC Holding B.V. *	3.9%	0.58
Ex Contactlab's shareholders *	1.3%	0.19
Treasury shares	0.1%	0.01
Free Float	36.5%	5.46
Total	100.0%	14.97

Source: Company data

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

Peer group absolute performance

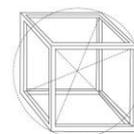
%	1D	1W	1M	3M	6M	YTD
dotDigital Group PLC	(0.7)	(5.2)	1.1	(51.1)	(63.7)	(57.8)
CM.com NV	(4.1)	(10.5)	5.4	(28.0)	(47.3)	(34.5)
Kaleyra Inc	0.7	(12.2)	(5.9)	(36.3)	(47.1)	(44.2)
Link Mobility Group Holding	(2.9)	(7.9)	(5.8)	(4.9)	(50.2)	(21.1)
Sinch AB (publ)	(4.7)	(12.9)	(18.4)	(39.6)	(60.0)	(47.6)
Mobile Messaging median	(3.5)	(11.3)	(5.9)	(32.1)	(48.7)	(39.3)
HubSpot Inc	3.8	(9.8)	17.9	(13.6)	(33.4)	(31.0)
Neosperience SpA	(3.1)	(3.5)	(1.5)	(15.1)	(25.5)	(17.6)
Predictive Marketing median	0.3	(6.7)	8.2	(14.4)	(29.5)	(24.3)
Growens SpA	1.2	0.4	9.2	(1.1)	15.0	3.6

Source: Thomson Reuters Eikon

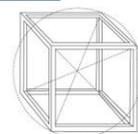
Peer group multiples table

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)	3.29	2.98	10.2	9.4	14.7	13.6	21.6	20.6
CM.com NV	1.70	1.32	n.m.	47.5	n.m.	n.m.	n.m.	n.m.
Kaleyra Inc	0.86	0.72	9.9	8.1	n.m.	n.m.	n.m.	n.m.
Link Mobility Group Holding ASA	1.34	1.07	9.8	7.6	20.4	13.1	16.1	11.1
Sinch AB (publ)	2.07	1.71	16.5	12.3	27.0	19.1	53.0	25.7
Mobile Messaging median	1.52	1.20	9.9	10.2	23.7	16.1	34.6	18.4
HubSpot Inc	12.23	9.39	96.8	70.4	135.3	92.1	176.5	121.7
Neosperience SpA	2.31	1.61	7.6	5.3	29.5	12.7	57.4	21.5
Predictive Marketing median	7.27	5.50	52.2	37.9	82.4	52.4	116.9	71.6
Growens SpA	0.81	0.68	9.6	7.1	34.0	16.7	59.0	30.6

Sources: CFO SIM, Thomson Reuters Eikon



Income statement (€ m)	2020	2021	2022e	2023e	2024e
Total revenues	65.2	71.2	91.1	101.1	110.3
Purchases	(39.2)	(42.4)	(53.8)	(59.6)	(65.1)
Services	(9.0)	(9.7)	(13.8)	(15.4)	(17.2)
Personnel expenses	(11.4)	(13.4)	(15.2)	(15.6)	(16.0)
Other opex	(0.5)	(0.6)	(0.7)	(0.8)	(0.9)
EBITDA	5.1	5.2	7.6	9.6	11.1
D&A	(3.7)	(4.1)	(5.5)	(5.5)	(5.5)
EBIT	1.4	1.1	2.2	4.1	5.7
Financials	(0.2)	(0.0)	(0.1)	(0.1)	(0.1)
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	1.2	1.1	2.1	4.0	5.6
Income taxes	(0.6)	(0.7)	(0.8)	(1.5)	(2.1)
Minorities	0.0	0.0	0.0	0.0	0.0
Net Profit	0.6	0.4	1.3	2.5	3.5
Net Profit adj.	0.6	0.4	1.3	2.5	3.5
Balance sheet (€ m)	2020	2021	2022e	2023e	2024e
Net Working Capital	(1.5)	(1.7)	(0.2)	(0.0)	0.1
Net Fixed Assets	27.1	26.9	28.2	25.7	23.2
Equity Investments	0.2	0.2	0.2	0.2	0.2
Other M/L Term A/L	(11.0)	(14.3)	(14.8)	(15.0)	(15.1)
Net Invested Capital	14.8	11.0	13.3	10.9	8.4
Net Financial Position	(2.5)	(6.5)	(4.3)	(9.3)	(15.3)
Minorities	0.0	0.0	0.0	0.0	0.0
Group's Shareholders Equity	17.3	17.5	17.6	20.1	23.7
Financial Liabilities & Equity	14.8	11.0	13.3	10.9	8.4
Cash Flow statement (€ m)	2020	2021	2022e	2023e	2024e
Total net income	0.6	0.4	1.3	2.5	3.5
Depreciation	3.7	4.1	5.5	5.5	5.5
Other non-cash charges	1.0	3.3	0.5	0.2	0.2
Cash Flow from Oper. (CFO)	5.3	7.7	7.3	8.2	9.1
Change in NWC	(0.2)	0.3	(1.5)	(0.2)	(0.1)
FCF from Operations (FCFO)	5.1	8.0	5.8	8.0	9.0
Net Investments (CFI)	(3.0)	(4.1)	(6.8)	(3.0)	(3.0)
Free CF to the Firm (FCFF)	2.1	3.9	(1.0)	5.0	6.0
CF from financials (CFF)	(1.1)	(0.4)	(1.3)	0.0	(0.0)
Free Cash Flow to Equity (FCFE)	0.9	3.5	(2.2)	5.0	6.0
Financial ratios	2020	2021	2022e	2023e	2024e
EBITDA margin	7.8%	7.3%	8.4%	9.5%	10.1%
EBIT margin	2.1%	1.6%	2.4%	4.1%	5.1%
Net profit margin	0.9%	0.5%	1.4%	2.5%	3.2%
Tax rate	53.0%	65.9%	37.0%	37.0%	37.0%
Op NWC/Sales	-2.3%	-2.4%	-0.3%	0.0%	0.1%
Interest coverage x	0.13	0.04	0.03	0.02	0.01
Net Debt/EBITDA x	(0.49)	(1.25)	(0.56)	(0.97)	(1.38)
Debt-to-Equity x	(0.15)	(0.37)	(0.24)	(0.46)	(0.65)
ROIC	3.8%	3.3%	9.9%	23.5%	42.2%
ROCE	5.0%	4.1%	7.7%	13.3%	16.4%
ROACE	5.1%	4.1%	7.8%	13.9%	17.3%
ROE	3.3%	2.1%	7.5%	12.6%	14.9%
Payout ratio	0.0%	0.0%	0.0%	0.0%	0.0%
Per share figures	2020	2021	2022e	2023e	2024e
Number of shares # m	14.97	14.97	14.97	14.97	14.97
Number of shares Fully Diluted # m	17.37	17.37	17.37	17.37	17.37
Average Number of shares Fully Diluted # m	17.37	17.37	17.37	17.37	17.37
EPS stated FD €	0.03	0.02	0.08	0.15	0.20
EPS adjusted FD €	0.03	0.02	0.08	0.15	0.20
EBITDA €	0.29	0.30	0.44	0.55	0.64
EBIT €	0.08	0.07	0.12	0.24	0.33
BV €	0.99	1.01	1.01	1.16	1.36
FCFO €	0.29	0.46	0.33	0.46	0.52
FCFF €	0.12	0.22	(0.06)	0.29	0.35
FCFE €	0.05	0.20	(0.13)	0.29	0.35
Dividend €	0.00	0.00	0.00	0.00	0.00



Growens acquires 100% of

Growens announced the acquisition of Contactlab, a domestic player offering SaaS solutions in the cloud marketing technology field. The company is definitely complementary to the MailUp business unit, both in terms of products and solutions as well as in terms of customer portfolio. The acquisition aims at supporting the group's growth and increasing the average return per customer, leveraging on a complementary technology with the MailUp platform, the BEE email template editor and the Datatrics offer.

The deal: 0.4x EV/Sales₂₁ and 4.5x EV/EBITDA₂₁

Growens signed a binding agreement for the acquisition of **100% of Contactlab for € 5.0m in addition to a maximum earn-out of € 6.6m** upon the achievement of certain strategic and profitability targets in the 2022-24 period. The total consideration of € 5.0m will be paid € 3.75m in cash at the closing date while the remaining € 1.25m will be paid through the assignment of 188,822 GROW's treasury shares to the sellers valued at € 6.62/s, with a c. 29% premium vs the closing price as of 1-Apr-22. The selling shareholders are: 1) P101, a venture capital fund, which acquired a minority stake in 2014, 2) Massimo Fubini, CEO and founder and 3) Elisa Martelli.

The earn-out will be paid partly in cash and, if necessary, partly in shares. In particular, the portion of earn-out reserved for P101 will be paid in cash while for the amount dedicated to the other sellers, Growens may decide to pay in cash or in shares up to 40% of total. The share price will be equal to the weighted average official price of GROW stock over the last 90 trading days before the earn-out maturity date, plus 10%.

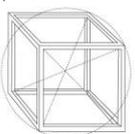
The total consideration, excluding the maximum earn-out, corresponds to **0.4x and 4.5x EV/Sales₂₁ and EV/EBITDA₂₁**, respectively.

The deal also includes certain management agreements, such as the appointment of Massimo Fubini (CEO and Founder of Contactlab) as a managing director responsible for the combined MailUp + Contactlab business unit. The closing of the deal is expected by mid-May 2022 and, after the closing, Contactlab's selling shareholders will hold a 1.3% stake in Growens. The company will be consolidated as of 1-Jan-22.

The target: a leading Italian MarTech player

Established in 1998 by the current CEO and major shareholder, Massimo Fubini, Contactlab is a leading Italian player operating in the **cloud marketing technology** segment, providing its clients with products and services aimed at enhancing customer engagement strategies and designing digital marketing campaigns. The company owns a proprietary platform based on an Engagement Intelligence and serves about 330 enterprise clients in various industries, among which Eatly, Scalo Milano, Christian Dior Couture, Patrizia Pepe, San Pellegrino, Stroili, Peuterey, Dsquared2, AIRC. Contactlab operates two divisions:

- The **Tech division** (46.4% of total turnover) offers **Contactlab Marketing Cloud**, namely a **proprietary SaaS platform** developed in-house and able to i) collect data on customer behaviours, ii) gain insights and create customer segments, also via artificial intelligence, iii) automatically develop multi-channel personalised campaigns, iv) analyse the return on investments. The product is scalable and apt for different client needs; it is offered as a SaaS platform (cloud, IT system externalisation) and relies on quick and customisable APIs, able to integrate into the client ecosystem and external tools. The platform already embeds the BEE Plugin for digital content creation.



- The **Agency division** (47.5% of total turnover) provides consulting and digital training services, as well as multi-channel and loyalty marketing strategies. The offer also includes a 24/7 operations team to support customers in executing global campaigns. Services are provided by highly experienced personnel, cover the main marketing platforms and support global clients with coverage in English and across different time zones.

FY-21 preliminary figures show **revenues of € 10.9m, EBITDA of € 1.0m, 9.3% margin and NFP equal to € 0.4m cash**. As of Dec-21, Contactlab's **Annual Recurring Revenues stood at € 3.3m**.

Contactlab is **the historical competitor of MailUp in Italy**, being the **third domestic email service provider**, with over 5.8 million emails sent per year. MailUp is the market leader in Italy in the email marketing field, thus the acquisition of Contactlab further consolidates its leadership.

The deal rationale: the perfect fit with the MailUp BU

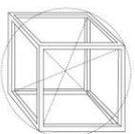
The acquisition of Contactlab allows Growens to enlarge its offer to customers and, at the same time, increase recurring sales stemming from SaaS solutions. Furthermore, Contactlab's client base – 85% of which is concentrated in Italy – is highly complementary with that of MailUp business unit: Contactlab is focused on enterprise clients while MailUp is focused on the SMB (small-medium business) segment.

From an operational point of view, following the acquisition, the **Tech division will be combined with the MailUp BU**. Contactlab's products will be maintained and developed, and no client migration will be performed. Massimo Fubini will be responsible for the combined MailUp + Contactlab business unit.

On the other hand, the **Agency division will be a new unit within the group**, aggregating the professional services offered to certain customers with regard to customer engagement on various proprietary and non-proprietary platforms, as well as serving certain BEE internal activities which are currently externalised.

The integration between MailUp and Contactlab is expected to generate **several benefits for the whole group**, in particular:

- **A wider product portfolio:** complementary technologies, products and services able to serve customers' different needs.
- **Professional Services:** consolidation of Engagement Marketing offering on proprietary and non-proprietary platforms (Adobe/Oracle).
- **Product Intelligence:** leverage on in-house agency cross-platform expertise to improve products and services.
- **Customer acquisition:** acceleration of customer acquisition via a Product-Led approach coupled with the focus on the indirect channel.
- **Cross-selling and life time value:** increase in total value and customer lifetime. MailUp is more focused on SMS & Email delivery with an high degree of automation, while Contactlab is strong in the omnichannel marketing cloud and professional services.
- **Talents:** increase in SaaS and MarTech talent attraction and retention.



Q1-22 Main Figures and KPIs

Growens recently announced Q1-22 revenues with regard to the CPaaS division and Annual Recurrent Revenues related to the SaaS division. The figures show double digit growth in both divisions, despite the historically unfavourable business seasonality in Q1.

With respect to the SaaS division, **BEE's ARR** unveiled the highest increase (+ 57.1%) totalling **€ 7.8m (\$ 8.7m)**, thanks to growing sales and usage volumes. **Acumbamail's ARR** reached **€ 1.9m, up by 11.9%** compared to Mar-21. The recurring part of the **MailUp's** business **increased by 5.2% to € 11.6m**. The figure doesn't include the non-recurring SMS business performed by MailUp, which soared by 35%. Finally, **Datatics has ARR to the tune of € 2.3m, declining 10.6%** compared to Mar-21. However, the figure does not include the positive effects of the recently launched freemium version, which will be visible in the coming months.

Table 1 – Growens, SaaS division's Annual Recurrent Revenues

€ m	Mar-22	Mar-21	% Var.
MailUp	11.6	11.1	5.2
BEE	7.8	4.9	57.1
Acumbamail	1.9	1.7	11.9
Datatics	2.3	2.6	(10.6)
Total ARR - SaaS	23.6	20.3	16.4

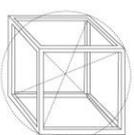
Sources: Company data

Within the CPaaS business line, in Q1-22 **Agile Telecom recorded sales of € 14.3m, up 40.9% YoY**, confirming the recovery of economic activities.

Table 2 – Growens, CPaaS division's revenues

€ m	Q1-22	Q1-21	% YoY
Agile Telecom	14.3	10.1	40.9
Total CPaaS Revenues	14.3	10.1	40.9

Sources: Company data



Estimates, Valuation & Risks

Contactlab is unquestionably complementary to the MailUp business unit, in terms of technologies, customers and go-to-market strategy. According to CFO SIM, **the acquisition of Contactlab brings € 8.3m (€ 0.40/s) additional value to Growens**. The deal is accretive at EBITDA level already as from 2022, the first year of consolidation. Furthermore, we believe Growens was able to structure a good deal, minimising the cash outlay at the closing date and aligning the interests of the selling shareholders with those of the whole group through the assignment of GROW shares and the earn-out mechanism.

We estimated Contactlab would grow with a CAGR₂₁₋₂₄ of 9.2% and a more than proportional progression in margins, thanks to gradually taking advantage of cost and revenue synergies with MailUp.

Table 3 – Growens, Contactlab assumptions

€ m	2021	2022e	2023e	2024e	CAGR ₂₁₋₂₄
Revenues	10.9	11.7	12.9	14.2	9.2
% YoY	-	7.5	10.0	10.0	
EBITDA	1.0	1.1	1.4	1.6	15.2
% margin	9.3	9.5	10.5	11.0	
D&A	(1.5)	(1.5)	(1.5)	(1.5)	
EBIT	(0.5)	(0.4)	(0.2)	0.0	n.m.
% margin	(4.7)	(3.6)	(1.4)	0.2	
Net Profit	(0.5)	(0.4)	(0.2)	(0.0)	n.m.
% margin	(5.0)	(3.8)	(1.6)	(0.0)	

Sources: Company data, CFO Sim

On the other hand, **we left unchanged our assumption with regard to the MailUp stand-alone business unit**.

Table 4 – Growens, MailUp business unit assumptions

€ m	2021	2022e	2023e	2024e	CAGR ₂₁₋₂₄
Revenues	16.6	17.3	18.2	19.1	4.8
% YoY	5.9	4.5	5.0	5.0	
EBITDA	2.6	2.9	3.3	3.4	9.2
% margin	15.9	17.0	18.0	18.0	

Sources: Company data, CFO Sim

Starting from a base year 2021 resulting from the cumulated turnover and EBITDA of MailUp business unit and Contactlab, **we anticipated that the combined entity would progress with a CAGR₂₁₋₂₄ of 6.6%, and EBITDA margin would reach 15.0% in 2024**. Management expects synergies to improve EBITDA by around € 2.0m by 2024, € 1.2m of which related to upselling and cross-selling and the remainder related to cost savings.

Table 5 – Growens, MailUp + Contactlab business unit assumptions

€ m	2021 cum.	2022e	2023e	2024e	CAGR ₂₁₋₂₄
Revenues	27.5	29.1	31.1	33.3	6.6
% YoY		5.7	7.0	7.1	
EBITDA	3.7	4.1	4.6	5.0	10.9
% margin	13.3	14.0	14.9	15.0	

Sources: Company data, CFO Sim

On a consolidated basis, the combined result is an average **14.7% and 16.6% increase in Revenues and EBITDA in 2022-24**. In terms of bottom line, the consolidation of Contactlab produces an average **9.2% decrease in Net Profit in 2022-24**, as a result of the consistent amount of D&A (i.e. € 1.5m per year).

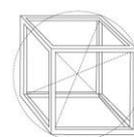


Table 6 – Growens, 2022e new/old estimates

€ m	New	Old	% Diff.	€ m Diff.
Total Revenues	91.1	79.4	14.7	11.7
EBITDA	7.6	6.5	17.1	1.1
% margin	8.4	8.2		
EBIT	2.2	2.6	(16.3)	(0.4)
% margin	2.4	3.3		
Net Profit	1.3	1.6	(16.7)	(0.3)
% margin	1.4	2.0		
Y/E net debt (net cash)	(4.3)	(8.4)	(48.9)	4.1

Source: CFO Sim

Table 7 – Growens, 2023e new/old estimates

€ m	New	Old	% Diff.	€ m Diff.
Total Revenues	101.1	88.2	14.6	12.9
EBITDA	9.6	8.2	16.4	1.4
% margin	9.5	9.3		
EBIT	4.1	4.4	(7.3)	(0.3)
% margin	4.1	5.0		
Net Profit	2.5	2.7	(7.4)	(0.2)
% margin	2.5	3.1		
Y/E net debt (net cash)	(9.3)	(12.4)	(25.3)	3.2

Source: CFO Sim

Table 8 – Growens, 2024e new/old estimates

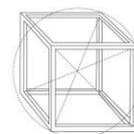
€ m	New	Old	% Diff.	€ m Diff.
Total Revenues	110.3	96.1	14.7	14.2
EBITDA	11.1	9.6	16.3	1.6
% margin	10.1	10.0		
EBIT	5.7	5.9	(3.4)	(0.2)
% margin	5.1	6.1		
Net Profit	3.5	3.7	(3.5)	(0.1)
% margin	3.2	3.8		
Y/E net debt (net cash)	(15.3)	(17.2)	(10.8)	1.9

Source: CFO Sim

As a result of the update to estimates and the DCF valuation criteria, **we set a new PT for Growens at € 6.60/s** (€ 6.20), with an upside of 26.9% to current price levels.

We also updated our sum-of-the-parts valuation, resulting in Growens's equity value of € 5.80/s (€ 5.90/s), exclusively because of the continuous decline in stock prices with regard to the tech sector worldwide.

We reiterate our BUY recommendation on the stock. The deal allows Growens to 1) further enlarge its customer portfolio, 2) strengthen the recurring part of the business stemming from SaaS-based solutions and 3) enrich the group's offer. Furthermore, the deal structure allows Growens to minimise the cash outlay at the closing date, linking the greater part of Contactlab's value to the results of the next three years. As a consequence, **the group's M&A firepower remains huge**: now a possible target might be to enrich BEE's offer.



DCF

In the DCF-based valuation, we assess explicit estimates until 2026 and long-term growth of 1.5%. Cash flows are discounted back at a weighted average cost of capital calculated in accordance with the following parameters:

Table 9 - 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.)	1.05%
Beta levered (x)	0.55
Required ROE	6.0%

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 Euronext Growth Milan market segment. **Beta at 0.55** corresponds to Growens's 5Y levered beta. The **risk-free rate at 1.05%** corresponds to the 200-day moving average of the 10Y Italian Government Bond yield. The WACC is computed using the current 0/100% debt/equity balance-sheet structure, thus penalising the group's valuation.

Table 10 - Growens, DCF model

€ m	2022e	2023e	2024e	2025e	2026e	Term. Val.
EBIT	2.2	4.1	5.7	7.1	8.7	
Tax rate	37.0%	37.0%	37.0%	37.0%	37.0%	
Operating profit (NOPAT)	1.4	2.6	3.6	4.5	5.5	
Change working capital	(1.5)	(0.2)	(0.1)	(0.1)	(0.1)	
Depreciation	5.5	5.5	5.5	4.2	3.0	
Investments	(6.8)	(3.0)	(3.0)	(3.0)	(3.0)	
Free Cash Flows	(1.4)	4.9	5.9	5.6	5.4	122.9
Present value	(1.3)	4.4	5.0	4.5	4.1	93.4
WACC	6.0%	6.0%	6.0%	6.0%	6.0%	
Long-term growth rate	1.5%					

Source: CFO SIM

Table 11 – Growens, DCF derived from:

€ m	
Total EV present value € m	110.1
	<i>thereof terminal value</i>
NFP last reported - FY-21	6.5
Pension last reported - FY-21	(2.3)
Equity value € m	114.4
# m shares FD (excl. treasury shares)	17.4
Equity value €/s FD	6.60
% upside/(downside)	26.9%

Source: CFO SIM

By applying our DCF model we attained an equity value of € 114.4m, € 6.60/s (6.20), 26.9% upside, with regard to Growens.

It's worth noting that the fully diluted number of shares derives from: 1) the € 3.0m amount (€ 2.368/share) related to the reserved capital increase stemming from the maximum variable earn-out fee to be paid to BMC Holdings if certain Datatrics turnover goals are reached in the four years following the acquisition; 2) the stock option plan.

The following tables illustrate that sensitivity 1) compared to changes in the terminal growth rate produces an equity value between **€ 5.79-7.71/s (perpetuity range between 0.75% and 2.25%)**, while 2) if compared to changes in the free risk rate it produces an equity value of **€ 5.65-7.91/s (free-risk range between 1.80% and 0.30%)** and 3) if compared to changes in the risk premium, including small size premium, it results in an equity value of **€ 5.57-8.07/s (risk premium range between 10.50% and 7.50%)**.

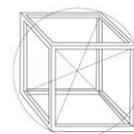


Table 12 – Growens, equity value sensitivity to changes in terminal growth rate

€ m	0.75%	1.00%	1.25%	1.50%	1.75%	2.00%	2.25%
Present value of CF	16.8	16.8	16.8	16.8	16.8	16.8	16.8
PV of terminal value	79.4	83.6	88.2	93.4	99.1	105.6	112.9
Total value	96.2	100.4	105.0	110.1	115.9	122.3	129.7
NFP last reported - FY-21	6.5	6.5	6.5	6.5	6.5	6.5	6.5
Pension last reported - FY-21	(2.3)	(2.3)	(2.3)	(2.3)	(2.3)	(2.3)	(2.3)
Equity value € m	100.5	104.6	109.3	114.4	120.1	126.6	133.9
# m shares FD (excl. treasury shares)	17.4	17.4	17.4	17.4	17.4	17.4	17.4
Equity value €/s FD	5.79	6.03	6.29	6.60	6.92	7.29	7.71

Source: CFO SIM

Table 13 – Growens, equity value sensitivity to changes in free risk rate

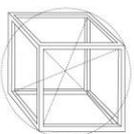
€ m	0.30%	0.55%	0.80%	1.05%	1.30%	1.55%	1.80%
Present value of CF	17.2	17.0	16.9	16.8	16.6	16.5	16.4
PV of terminal value	115.9	107.4	100.0	93.4	87.5	82.2	77.4
Total value	133.1	124.5	116.9	110.1	104.1	98.7	93.8
NFP last reported - FY-21	6.5	6.5	6.5	6.5	6.5	6.5	6.5
Pension last reported - FY-21	(2.3)	(2.3)	(2.3)	(2.3)	(2.3)	(2.3)	(2.3)
Equity value € m	137.3	128.7	121.1	114.4	108.4	102.9	98.0
# m shares FD (excl. treasury shares)	17.4	17.4	17.4	17.4	17.4	17.4	17.4
Equity value €/s FD	7.91	7.41	6.98	6.60	6.24	5.93	5.65

Source: CFO SIM

Table 14 – Growens, 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	17.2	17.1	16.9	16.8	16.6	16.5	16.3
PV of terminal value	118.6	109.0	100.7	93.4	86.9	81.2	76.1
Total value	135.9	126.1	117.6	110.1	103.5	97.7	92.4
NFP last reported - FY-21	6.5	6.5	6.5	6.5	6.5	6.5	6.5
Pension last reported - FY-21	(2.3)	(2.3)	(2.3)	(2.3)	(2.3)	(2.3)	(2.3)
Equity value € m	140.1	130.3	121.8	114.4	107.8	101.9	96.6
# m shares FD (excl. treasury shares)	17.4	17.4	17.4	17.4	17.4	17.4	17.4
Equity value €/s FD	8.07	7.51	7.02	6.60	6.21	5.87	5.57

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 obtained by adjusting the company's net debt, pension provisions, minorities assessment and perpetuity of holding costs. Please note that Growens has no minority interests in its consolidated balance sheet.

Growens 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 Growens' different business units, 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) companies operating in the predictive marketing niche.

In order to evaluate the MailUp, Acumbamail and BEE business units, which provide 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:

CM.com NV (Netherlands): CM.com is a conversational commerce provider, serving companies worldwide linking them to the mobile phones of their consumers. It provides messaging channels and voice solution from its cloud-based platform. CM.com is also a licensed Payment Service Provider (PSP).

Kaleyra (USA): Kaleyra provides cloud communication services. The company manages integrated multi-channel communication services using messages, push notifications, e-mail, instant messaging, voice, and chat bot services. Kaleyra serves customers worldwide.

Link Mobility Group Holding ASA (Norway): Link Mobility Group Holding, through its subsidiaries, provides communications platform as a service to improve personalised communications with multiple new channels and mobile communication services.

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.

Amongst the companies 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 Euronext Growth Milan, provides digital marketing and e-commerce technologies. The company develops AI proprietary models that extract personality traits, lifestyles, attitudes, and behaviours from the interaction with its customers' websites, applications, chats, social media, and aggregators.

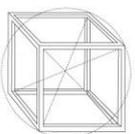


Table 15 – Growens, peer group summary table

€ m	Country	Mkt Cap	Sales FY1	EBITDA FY1	EBITDA %	Sales CAGR ₂₁₋₂₄	EBITDA CAGR ₂₁₋₂₄	EBIT CAGR ₂₁₋₂₄	EPS CAGR ₂₂₋₂₄	NFP /EBITDA
dotDigital Group PLC (Email Marketing)										
	UK	298	75	24	32.4%	9.4%	6.3%	7.5%	5.7%	(2.1)
CM.com NV	Netherlands	527	316	1	0.4%	27.6%	n.m.	n.m.	7.5%	7.0
Kaleyra Inc	USA	218	354	30	8.6%	30.9%	n.m.	n.m.	n.a.	2.8
Link Mobility Group Holding ASA	Norway	472	530	72	13.6%	16.4%	31.3%	87.2%	29.9%	3.3
Sinch AB (publ)	Sweden	4,674	2,666	335	12.6%	31.4%	85.1%	183.0%	69.3%	2.5
Mobile Messaging median		500	442	51	10.6%	29.3%	58.2%	135.1%	29.9%	3.1
HubSpot Inc	USA	19,869	1,558	197	12.6%	29.2%	n.m.	n.m.	49.9%	(4.1)
Neosperience SpA	Italy	42	19	6	30.4%	22.0%	20.1%	56.5%	122.7%	0.4
Predictive Marketing median		9,955	788	101	21.5%	25.6%	20.1%	56.5%	86.3%	(1.9)
Growens SpA	Italy	78	91	8	8.4%	15.7%	28.9%	71.1%	63.6%	(0.6)

Source: CFO SIM, Thomson Reuters Eikon

Table 16 – Growens, peer group EV multiple table

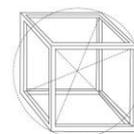
x	Sales FY1	Sales FY2	Sales FY3	EBITDA FY1	EBITDA FY2	EBITDA FY3
dotDigital Group PLC (Email Marketing)						
	3.29	2.98	2.60	10.2	9.4	8.4
CM.com NV	1.70	1.32	n.a.	n.m.	47.5	n.a.
Kaleyra Inc	0.86	0.72	0.51	9.9	8.1	4.8
Link Mobility Group Holding ASA	1.34	1.07	0.91	9.8	7.6	6.9
Sinch AB (publ)	2.07	1.71	1.39	16.5	12.3	9.7
Mobile Messaging median	1.52	1.20	0.91	9.9	10.2	6.9
HubSpot Inc	12.23	9.39	7.34	96.8	70.4	47.1
Neosperience SpA	2.31	1.61	1.14	7.6	5.3	3.7
Predictive Marketing median	7.27	5.50	4.24	52.2	37.9	25.4
Growens SpA	0.81	0.68	0.57	9.6	7.1	5.6
% Prem./disc.) to dotDigital PLC	(75.5)	(77.3)	(78.2)	(5.1)	(24.2)	(33.3)
% Prem./disc.) to Mobile Messaging	(46.9)	(43.3)	(37.7)	(3.1)	(29.9)	(18.3)
% Prem./disc.) to Predictive Marketing	(88.9)	(87.7)	(86.7)	(81.5)	(81.1)	(77.9)

Source: CFO SIM, Thomson Reuters Eikon

Table 17 – Growens, peer group EV & price multiple table

x	EBIT FY1	EBIT FY2	EBIT FY3	PER FY1	PER FY2	PER FY3
dotDigital Group PLC (Email Marketing)						
	14.7	13.6	11.8	21.6	20.6	19.4
CM.com NV	n.m.	n.m.	n.a.	n.m.	n.m.	n.m.
Kaleyra Inc	n.m.	n.m.	n.m.	n.m.	n.m.	n.a.
Link Mobility Group Holding ASA	20.4	13.1	13.9	16.1	11.1	9.5
Sinch AB (publ)	27.0	19.1	13.5	53.0	25.7	18.5
Mobile Messaging median	23.7	16.1	13.7	34.6	18.4	14.0
HubSpot Inc	135.3	92.1	55.2	176.5	121.7	78.5
Neosperience SpA	29.5	12.7	6.6	57.4	21.5	11.6
Predictive Marketing median	82.4	52.4	30.9	116.9	71.6	45.1
Growens SpA	34.0	16.7	11.0	59.0	30.6	22.0
% Prem./disc.) to dotDigital PLC	131.4	22.2	(6.6)	172.6	48.3	13.8
% Prem./disc.) to Mobile Messaging	43.4	3.7	(19.6)	70.6	66.2	57.1
% Prem./disc.) to Predictive Marketing	(58.8)	(68.2)	(64.4)	(49.6)	(57.3)	(51.1)

Source: CFO SIM, Thomson Reuters Eikon



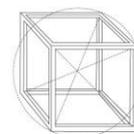
In our SOTP valuation, we used 1) the EV/EBITDA multiple of dotDigital Group to evaluate the MailUp + Contactlab and Acumbamail business units, 2) the EV/Sales multiple of dotDigital Group to evaluate BEE business unit, 3) the median EV/EBITDA multiple of the Mobile Messaging panel to appraise the Agile 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 Growens's smaller size and low level of the stock liquidity on the back of its listing on the Euronext Growth Milan market.

We decided to assess the equity value using 2022e figures. As a result, we attained a new equity value of € 5.80/s (€ 5.90), exclusively because of the continuous stock prices decline with regard to the tech sector worldwide.

Table 18 – Growens, Sum of the Parts equity value assessment

	€ m	% on EV	Methodology
MailUp + Contactlab BU	33.0	33.2	8.1x peer multiple on € 4.1m BU EBITDA 2022e
Acumbamail BU	4.8	4.8	8.1x peer multiple on € 0.6m BU EBITDA 2022e
BEE BU	21.3	21.4	2.6x peer multiple on € 0.8m BU Sales 2022e
Agile Telecom BU	20.8	20.9	8x peer multiple on € 2.6m BU EBITDA 2022e
Datatrics BU	19.6	19.7	5.82x peer multiple on € 3.4m BU Sales 2022e
Total EV	99.4	100.0	
Holding costs	(1.1)		Perpetuity of holding costs @ 6%
NFP	4.3		FY-22e Net Financial Position
Pension Provision	(2.3)		Pension last reported - FY-21
Equity Value	100.3		
Per share FD	5.80		
<i>% upside/(downside)</i>	<i>11.5%</i>		

Source: CFO SIM, Thomson Reuters Eikon



Peer Stock Performance

Growens was listed on Euronext Growth Milan 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. **Growens trades well above the IPO price**, +170.8% since the IPO. The stock reached a 1Y intraday maximum price of € 5.48/s on 17-Nov-21 and a minimum price of € 3.81/s on 3-May-21.

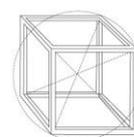
Table 19 – Growens, peer group and index absolute performance

	1D	1W	1M	3M	6M	YTD	1Y
dotDigital Group PLC (Email Marketing)	(0.7)	(5.2)	1.1	(51.1)	(63.7)	(57.8)	(50.7)
CM.com NV	(4.1)	(10.5)	5.4	(28.0)	(47.3)	(34.5)	(30.1)
Kaleyra Inc	0.7	(12.2)	(5.9)	(36.3)	(47.1)	(44.2)	(61.7)
Link Mobility Group Holding ASA	(2.9)	(7.9)	(5.8)	(4.9)	(50.2)	(21.1)	(66.8)
Sinch AB (publ)	(4.7)	(12.9)	(18.4)	(39.6)	(60.0)	(47.6)	(64.5)
Mobile Messaging median	(3.5)	(11.3)	(5.9)	(32.1)	(48.7)	(39.3)	(63.1)
HubSpot Inc	3.8	(9.8)	17.9	(13.6)	(33.4)	(31.0)	(12.0)
Neosperience SpA	(3.1)	(3.5)	(1.5)	(15.1)	(25.5)	(17.6)	(25.5)
Predictive Marketing median	0.3	(6.7)	8.2	(14.4)	(29.5)	(24.3)	(18.7)
Growens SpA	1.2	0.4	9.2	(1.1)	15.0	3.6	21.5
MSCI World Index	(1.3)	(3.5)	5.2	(6.1)	(2.0)	(8.0)	2.1
EUROSTOXX	(0.5)	(2.5)	3.0	(9.0)	(5.6)	(10.5)	(2.3)
FTSE Italia All Share	(0.3)	(1.7)	5.3	(9.5)	(5.0)	(9.8)	1.3
FTSE Italia STAR	(1.0)	(3.3)	0.4	(11.5)	(10.4)	(17.8)	6.5
FTSE Italia Growth	0.3	(0.3)	4.8	(7.0)	(3.3)	(8.9)	19.5

Table 20 – Growens relative performances

	1D	1W	1M	3M	6M	YTD	1Y
To dotDigital Group PLC	1.9	5.6	8.2	50.0	78.8	61.4	72.1
To peer Mobile Messaging median	4.7	11.7	15.1	31.0	63.8	42.9	84.6
To peer Predictive Marketing median	0.8	7.1	1.1	13.2	44.5	27.9	40.2
To MSCI World Index	2.5	3.9	4.1	5.0	17.0	11.6	19.4
To EUROSTOXX	1.7	2.8	6.2	7.9	20.7	14.1	23.7
To FTSE Italia All Share	1.4	2.1	3.9	8.3	20.0	13.4	20.2
To FTSE Italia STAR	2.2	3.7	8.8	10.4	25.4	21.4	15.0
To FTSE Italia Growth	0.8	0.7	4.4	5.8	18.4	12.5	2.0

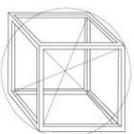
Source: Thomson Reuters Eikon



Risks

The main investment **risks** associated with Growens include the following:

- Fast technological development increasing competitive pressure;
- Risks due to ICT malfunctions;
- Profit margin dilution stemming from the acquisition campaign;
- Impacts on the profit and loss and balance sheet profiles triggered by a sharp decline in global economic growth or geopolitical instability;
- Departure of one, or a few, of the key people;
- M&A execution being hampered by potential consolidating actors showing higher firepower in the industry.



ANALYST CERTIFICATION

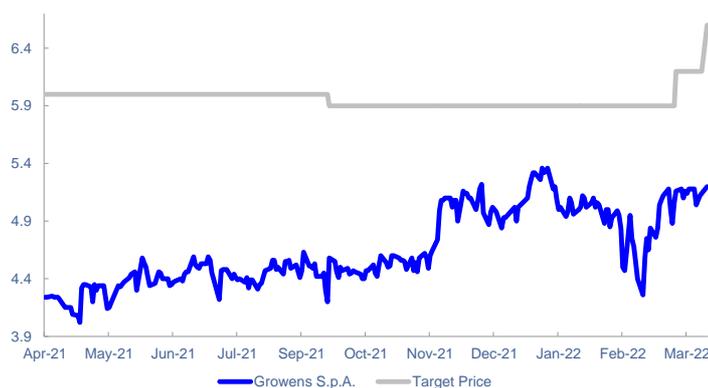
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DATE	TARGET PRICE	RATING
12/04/2022	€6.60	BUY
25/03/2022	€6.20	BUY
11/11/2021	€5.90	BUY
17/09/2021	€5.90	BUY
20/05/2021	€6.00	BUY
13/05/2021	€6.00	BUY

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- 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% range identified using the preceding criteria.

The rating is determined on the basis of the **expected absolute return over a 12-month period** and not on the basis of the estimated outperformance or underperformance relative to a market index. Thus, the rating can be directly linked to the estimated percentage difference between current and target prices. 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.

