

Italy – Marketing Technology

Mixed Q1 results: growing revenues, declining margins

16th May 2022

Q1-22 RESULTS RELEASE

RIC: GROWE.MI
BBG: GROW IM

In Q1-22, Growens reported solid double-digit organic growth while margins slowed down as a result of a different revenue mix and the persisting operating loss pertaining to Datatrics. The group expects relevant synergies stemming from the integration of Contactlab, not yet included in Q1-22 results. Further M&As are still on the cards.

Rating:

Buy

Price Target:

€ 6.20 (€ 6.60)

Upside/(Downside): 24.7%

Last Price: € 4.97

Market Cap.: € 74.2m

1Y High/Low: € 5.48 / € 4.10

Avg. Daily Turn. (3M, 6M): € 32k, € 29k

Free Float: 36.0%

Major shareholders:

Nazzareno Gorni	10.7%
Alberto Miscia	10.7%
Matteo Monfredini	10.6%
Luca Azzali	10.3%
Matteo Bettoni	10.1%



Stock price performance

	1M	3M	12M
Absolute	-3.3%	-1.4%	15.6%
Rel.to FTSE IT Growth	3.4%	7.9%	8.4%
Rel.to Peers median	16.8%	38.0%	74.2%

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Estimates fine-tuned. New PT at € 6.20/s (€ 6.60), 24.7% upside. Buy reiterated

Following the Q1-22 results release we have updated our model in order to factor in: 1) a slight increase in top line growth, mainly driven by the excellent performance of BEE and Agile Telecom in Q1; 2) a slower than expected return to growth with respect to Datatrics and the resulting impact on margins; and 3) a fine-tuning of the EBITDA margin per business unit as a consequence of the greater re-allocation of intercompany costs performed by the group in Q1. The combined result is an average 1.9% increase in Revenues and an average 2.1%, 6.0% and 6.2% decrease in EBITDA, EBIT and Net Profit, respectively, in 2022-24. Moreover, CFO has updated the DCF valuation criteria, bringing the Free Risk Rate up-to-date. The combined result is a new DCF-based PT of € 6.20/s (€ 6.60), with an upside of 24.7% to current price levels. The downgrade is almost exclusively related to the significant increase in the Free Risk Rate, i.e. the 200-day moving average of the 10Y Italian Government Bond yield. Buy reiterated.

Double-digit organic growth driven by both SaaS and CPaaS division

Growens posted organic growth to the tune of 27.7%, totalling € 21.2m in revenues. Organic growth was driven by increasing sales in both the SaaS and CPaaS division, up by 22.6% and 32.8% YoY, respectively. Other revenues decreased because of the reduction in non-refundable government grants and windfall profits compared to the same period in 2021. Foreign revenues soared by 49% YoY, reaching € 13.1m (63% of total).

BEE and Agile have driven revenue growth. Datatrics is struggling to recover

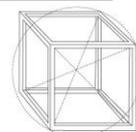
In terms of business units: 1) MailUp totalled € 4.3m, growing by 10.5% YoY thanks to the product-led strategy recently implemented and the development of the indirect channel abroad; 2) Agile Telecom rose by 33.5% YoY, reaching € 14.7m as proof of the recovery of the SMS traffic; 3) BEE soared by 65.9% YoY, totalling € 1.9m, mainly thanks to increasing volumes. ARR exceeded \$ 8.7m as of the end of Mar-22; 4) Acumbamail totalled € 0.5m, up by 17.1% YoY. 5) Datatrics declined by 7.7% YoY to € 0.6m, showing certain difficulties in returning to growth following the business reorganisation in 2021.

EBITDA was affected by a different revenue mix and Datatrics' operating loss

Gross Profit rose by 12.2% YoY to € 6.3m, 29.6% margin, compared to € 5.6m, 33.7% margin in Q1-21. EBITDA declined by 20.7% YoY to € 1.1m, 5.2% margin (vs € 1.4m, 8.3% margin in Q1-21), mainly as a result of a different revenue mix, namely higher sales stemming from the CPaaS division (i.e. Agile Telecom, SMS business), characterised by lower profitability, as well as the persisting operating loss of Datatrics (EBITDA negative by € 435k). Q1-22 EBITDA includes one-off costs to the tune of € 0.1m related to a few personnel exit packages. Thus, EBITDA adjusted for non-recurring items was € 1.2m, declining by 14% YoY. Net cash declined to € 3.1m from € 6.5m at the end of 2021, due to the temporary payment deferral granted to certain strategic clients of Agile Telecom, promptly regulated within the first fifteen days of April.

Growens, key financials and ratios

€ m	2020	2021	2022e	2023e	2024e
Total Revenues	65.2	71.2	93.2	102.9	112.0
EBITDA	5.1	5.2	7.4	9.3	11.1
EBIT	1.4	1.1	1.9	3.8	5.6
Net profit	0.6	0.4	1.2	2.4	3.5
NFP (cash)/debt	(2.5)	(6.5)	(4.7)	(10.1)	(16.0)
EBITDA margin	7.8%	7.3%	7.9%	9.1%	9.9%
EBIT margin	2.1%	1.6%	2.1%	3.7%	5.0%
EPS €	0.04	0.02	0.08	0.16	0.23
EPS growth	-50.9%	-34.8%	220.5%	100.7%	47.1%
Free Cash Flow Yield	2.6%	6.6%	-0.8%	7.3%	8.0%
PER x	127.2	183.3	62.8	31.3	21.3
PCF x	16.8	15.2	11.2	9.4	8.3
EV/Sales x	1.06	0.86	0.75	0.62	0.52
EV/EBITDA x	13.6	11.7	9.4	6.9	5.3
EV/EBIT x	50.2	53.9	35.8	16.7	10.4



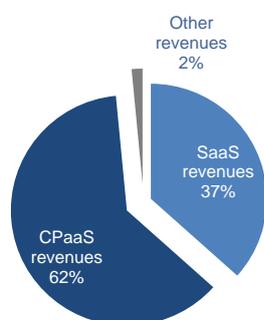
The Company at a Glance

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.

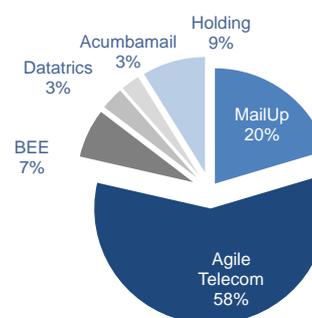
- The SaaS (Software-as-a-Service) division is characterised by subscription-based services supplied to customers via cloud platforms. It includes the following business units: MailUp, BEE, Datatrics and Acumbamail.
- The CPaaS (Communication-Platform-as-a-Service) division includes the Agile Telecom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

Shareholders	%	# m
Nazzareno Gorni	10.7%	1.61
Alberto Miscia	10.7%	1.61
Matteo Monfredini	10.6%	1.59
Luca Azzali	10.3%	1.55
Matteo Bettoni	10.1%	1.51
Pronti Gianluca	6.1%	0.91
BMC Holding B.V. *	3.9%	0.59
Ex Contactlab's shareholders *	1.3%	0.19
Treasury shares	0.2%	0.03
Free Float	36.0%	5.39
Total	100.0%	14.97

Source: Company data

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

Peer group absolute performance

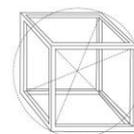
%	1D	1W	1M	3M	6M	YTD
dotDigital Group PLC	(5.8)	(8.5)	(9.4)	(42.0)	(67.4)	(59.0)
CM.com NV	3.2	1.2	(22.2)	(39.4)	(56.0)	(48.3)
Kaleyra Inc	(3.7)	(52.7)	(44.2)	(63.4)	(77.0)	(68.9)
Link Mobility Group Holding	10.2	(10.8)	(14.2)	(19.6)	(44.1)	(35.3)
Sinch AB (publ)	7.2	10.5	(22.1)	(54.7)	(63.0)	(60.6)
Mobile Messaging median	5.2	(4.8)	(22.1)	(47.0)	(59.5)	(54.4)
HubSpot Inc	14.9	(0.1)	(20.1)	(34.7)	(57.7)	(46.0)
Neosperience SpA	2.5	0.2	(15.6)	(23.9)	(31.1)	(28.2)
Predictive Marketing median	8.7	0.1	(17.9)	(29.3)	(44.4)	(37.1)
Growens SpA	1.8	5.1	(3.3)	(1.4)	7.1	(1.0)

Source: Thomson Reuters Eikon

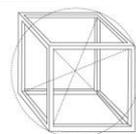
Peer group multiples table

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)	3.14	2.86	9.6	8.9	14.2	13.2	20.7	19.8
CM.com NV	1.31	1.06	n.m.	52.3	n.m.	n.m.	n.m.	n.m.
Kaleyra Inc	n.a.	0.54	n.a.	6.0	n.m.	n.m.	n.m.	n.m.
Link Mobility Group Holding ASA	1.14	0.93	8.5	6.6	19.7	13.0	19.6	11.7
Sinch AB (publ)	1.66	1.35	14.3	10.2	25.5	15.7	57.4	19.0
Mobile Messaging median	1.31	0.99	11.4	8.4	22.6	14.4	38.5	15.3
HubSpot Inc	9.31	7.23	76.5	53.4	106.4	71.8	138.4	96.3
Neosperience SpA	2.15	1.57	6.9	5.1	28.7	13.6	60.5	24.2
Predictive Marketing median	5.73	4.40	41.7	29.2	67.5	42.7	99.5	60.3
Growens SpA	0.75	0.62	9.4	6.9	35.8	16.7	62.8	31.3

Sources: CFO SIM, Thomson Reuters Eikon



Income statement (€ m)	2020	2021	2022e	2023e	2024e
Total revenues	65.2	71.2	93.2	102.9	112.0
Purchases	(39.2)	(42.4)	(55.0)	(60.7)	(66.1)
Services	(9.0)	(10.5)	(13.7)	(11.9)	(13.6)
Personnel expenses	(11.4)	(12.7)	(16.6)	(20.5)	(20.7)
Other opex	(0.5)	(0.5)	(0.5)	(0.5)	(0.6)
EBITDA	5.1	5.2	7.4	9.3	11.1
D&A	(3.7)	(4.1)	(5.5)	(5.5)	(5.5)
EBIT	1.4	1.1	1.9	3.8	5.6
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	1.9	3.8	5.5
Income taxes	(0.6)	(0.7)	(0.7)	(1.4)	(2.0)
Minorities	0.0	0.0	0.0	0.0	0.0
Net Profit	0.6	0.4	1.2	2.4	3.5
Net Profit adj.	0.6	0.4	1.2	2.4	3.5
Balance sheet (€ m)	2020	2021	2022e	2023e	2024e
Net Working Capital	(1.5)	(1.7)	(0.4)	(0.3)	(0.2)
Net Fixed Assets	27.1	26.9	28.2	25.7	23.2
Equity Investments	0.1	0.1	0.1	0.1	0.1
Other M/L Term A/L	(10.9)	(14.2)	(15.0)	(15.7)	(15.8)
Net Invested Capital	14.8	11.0	12.8	9.8	7.4
Net Financial Position	(2.5)	(6.5)	(4.7)	(10.1)	(16.0)
Minorities	0.0	0.0	0.0	0.0	0.0
Group's Shareholders Equity	17.3	17.5	17.5	19.8	23.3
Financial Liabilities & Equity	14.8	11.0	12.8	9.8	7.4
Cash Flow statement (€ m)	2020	2021	2022e	2023e	2024e
Total net income	0.6	0.4	1.2	2.4	3.5
Depreciation	3.7	4.1	5.5	5.5	5.5
Other non-cash charges	0.9	4.3	0.8	0.7	0.1
Cash Flow from Oper. (CFO)	5.2	8.7	7.4	8.6	9.0
Change in NWC	(0.2)	0.3	(1.3)	(0.2)	(0.1)
FCF from Operations (FCFO)	5.0	9.0	6.1	8.4	8.9
Net Investments (CFI)	(3.0)	(4.1)	(6.8)	(3.0)	(3.0)
Free CF to the Firm (FCFF)	2.0	4.9	(0.6)	5.4	5.9
CF from financials (CFF)	(1.0)	(1.4)	(1.3)	(0.0)	(0.0)
Free Cash Flow to Equity (FCFE)	0.9	3.5	(1.9)	5.4	5.9
Financial ratios	2020	2021	2022e	2023e	2024e
EBITDA margin	7.8%	7.3%	7.9%	9.1%	9.9%
EBIT margin	2.1%	1.6%	2.1%	3.7%	5.0%
Net profit margin	0.9%	0.5%	1.3%	2.3%	3.1%
Tax rate	53.0%	65.9%	37.0%	37.0%	37.0%
Op NWC/Sales	-2.3%	-2.4%	-0.5%	-0.3%	-0.1%
Interest coverage x	0.13	0.04	0.04	0.02	0.01
Net Debt/EBITDA x	(0.49)	(1.25)	(0.63)	(1.08)	(1.44)
Debt-to-Equity x	(0.15)	(0.37)	(0.27)	(0.51)	(0.68)
ROIC	3.8%	3.3%	9.2%	24.3%	47.5%
ROCE	5.1%	4.1%	6.9%	12.2%	16.1%
ROACE	5.1%	4.1%	7.0%	12.9%	16.9%
ROE	3.3%	2.1%	6.8%	12.0%	15.0%
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	0.07	0.14	0.20
EPS adjusted FD €	0.03	0.02	0.07	0.14	0.20
EBITDA €	0.29	0.30	0.43	0.54	0.64
EBIT €	0.08	0.07	0.11	0.22	0.32
BV €	0.99	1.01	1.01	1.14	1.34
FCFO €	0.29	0.52	0.35	0.48	0.51
FCFF €	0.11	0.28	(0.04)	0.31	0.34
FCFE €	0.05	0.20	(0.11)	0.31	0.34
Dividend €	0.00	0.00	0.00	0.00	0.00



Q1-22 Results

Q1-22 results showed significant organic growth in terms of top line, mainly driven by soaring revenues with regard to BEE and Agile Telecom business units. On the other hand, margins declined compared to Q1-21 as a result of a different revenue mix, namely higher sales stemming from the CPaaS division (i.e. Agile Telecom, SMS business), characterised by lower profitability, as well as the persisting operating loss of Datatrics, which has shown certain difficulties in returning to growth following the business reorganisation in 2021. Changes in other business units' margins are mainly due to a greater re-allocation of intercompany costs, which also positively affects holding margins. It is worth mentioning that the recently acquired company Contactlab is not yet included in Q1-22 figures.

Table 1 – Growens, Q1-22 results

€ m	Q1-22	Q1-21	% YoY
SaaS Revenues	7.4	6.0	22.6
CPaaS Revenues	13.7	10.3	32.8
Other revenues	0.1	0.3	(57.1)
Total revenues	21.2	16.6	27.7
Gross Profit	6.3	5.6	12.2
% margin	29.6	33.7	
EBITDA	1.1	1.4	(20.7)
% margin	5.2	8.3	
EBT	0.0	0.5	(93.1)
% margin	0.2	3.0	
NFP (cash)/debt *	(3.1)	(6.5)	52.2

Sources: Company data *compared to FY-21 NFP

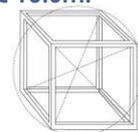
In Q1-22, Growens posted **organic growth to the tune of 27.7%, totalling € 21.2m in revenues**. Organic growth was driven by increasing sales in both the SaaS and CPaaS division, up by 22.6% and 32.8% YoY, respectively. Other revenues decreased because of the reduction in non-refundable government grants and windfall profits compared to the same period in 2021. Foreign revenues soared by 49% YoY, reaching € 13.1m (63% of total).

In terms of business units:

- **MailUp totalled € 4.3m, growing by 10.5% YoY** thanks to the product-led strategy recently implemented and the development of the indirect channel abroad.
- **Agile Telecom rose by 33.5% YoY, reaching € 14.7m** as proof of the recovery of the SMS traffic. Moreover, foreign sales materially increased.
- **BEE soared by 65.9% YoY, totalling € 1.9m**, mainly thanks to increasing volumes. ARR exceeded \$ 8.7m as of the end of March 2022.
- **Acumbamail totalled € 0.5m, up by 17.1% YoY.**
- **Datatrics declined by 7.7% YoY to € 0.6m**, showing certain difficulties in returning to growth following the business reorganisation in 2021.

Gross Profit rose by 12.2% YoY to € 6.3m, 29.6% margin, compared to € 5.6m, 33.7% margin in Q1-21. **EBITDA declined by 20.7% YoY to € 1.1m, 5.2% margin** (vs € 1.4m, 8.3% margin in Q1-21), mainly as a result of a **different revenue mix**, namely higher sales stemming from the CPaaS division (i.e. Agile Telecom, SMS business), characterised by lower profitability, as well as the **persisting operating loss of Datatrics**. Q1-22 EBITDA includes one-off costs to the tune of € 0.1m related to a few personnel exit packages. Thus, EBITDA adjusted for non-recurring items was € 1.2m, declining by 14% YoY.

Net cash declined to € 3.1m from € 6.5m at the end of 2021, due to the temporary payment deferral granted to certain strategic clients of Agile Telecom, promptly regulated within the first fifteen days of April. **Cash and cash equivalents were € 10.6m.**



By excluding the right of use liabilities stemming from the adoption of IFRS16, Net cash stood at € 6.2m compared to € 9.8m at the end of 2021.

Table 2 – Growens, Q1-22 results by business unit

€ m	Q1-22	Q1-21	% YoY
MailUp	4.3	3.9	10.5
Agile Telecom	14.7	11.0	33.5
BEE	1.9	1.1	65.9
Datatics	0.6	0.7	(7.7)
Acumbamail	0.5	0.5	17.1
Holding	2.0	1.3	52.6
Consol. Adj.	(2.9)	(1.9)	
Total revenues	21.2	16.6	27.7
EBITDA MailUp	0.6	1.0	(34.2)
EBITDA Agile Telecom	0.4	0.5	(13.3)
EBITDA BEE	0.3	0.2	53.0
EBITDA Datatics	(0.4)	(0.1)	(440.2)
EBITDA Acumbamail	0.1	0.1	(14.9)
EBITDA Holding	(0.0)	(0.4)	94.1
Consol. Adj.	0.1	0.1	
Total EBITDA	1.1	1.4	(20.7)
EBITDA % MailUp	14.9	25.1	
EBITDA % Agile Telecom	3.0	4.7	
EBITDA % BEE	16.5	17.9	
EBITDA % Datatics	(69.8)	(11.9)	
EBITDA % Acumbamail	18.3	25.2	
EBITDA % Holding	(1.2)	(31.3)	
Total EBITDA %	5.2	8.3	

Sources: Company data

Table 3 – Growens, SaaS division's KPIs

KPIs - SaaS	MailUp	Datatics	Acumbamail	BEE	Date
ARR	€ 11.6m	€ 2.3m	€ 1.9m	\$ 8.7m	Mar-22
ARR growth	5.0%	-11.0%	12.0%	53.0%	Mar-22
Gross margin	67%	55%	86%	73%	FY-21
EBITDA margin	15%	-70%	18%	17%	Q1-22
Net Revenue Retention	94%	74%	90%	113%	Mar-22

Sources: Company data

Estimates, Valuation & Risks

Growens reported mixed Q1-22 results: top line showed a solid double-digit organic growth while margins were affected by a different revenue mix and the persisting operating loss with regard to Datatics.

Following the Q1-22 results release **we have updated our model** in order to factor in: 1) a slight increase in top line growth, mainly driven by the excellent performance of BEE and Agile Telecom in Q1; 2) a slower than expected return to growth with respect to Datatics and the resulting impact on margins; and 3) a fine-tuning of the EBITDA margin per business unit as a consequence of the greater re-allocation of intercompany costs performed by the group in Q1. **The combined result is an average 1.9% increase in Revenues and an average 2.1%, 6.0% and 6.2% decrease in EBITDA, EBIT and Net Profit, respectively, in 2022-24.**

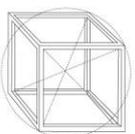


Table 4 – Growens, 2022e new/old estimates

€ m	New	Old	% Diff.	€ m Diff.
Total Revenues	93.2	91.1	2.3	2.1
EBITDA	7.4	7.6	(2.9)	(0.2)
% margin	7.9	8.4		
EBIT	1.9	2.2	(10.2)	(0.2)
% margin	2.1	2.4		
Net Profit	1.2	1.3	(10.5)	(0.1)
% margin	1.3	1.4		
Y/E net debt (net cash)	(4.7)	(4.7)	(1.0)	0.0

Source: CFO Sim

Table 5 – Growens, 2023e new/old estimates

€ m	New	Old	% Diff.	€ m Diff.
Total Revenues	102.9	101.1	1.8	1.8
EBITDA	9.3	9.6	(2.9)	(0.3)
% margin	9.1	9.5		
EBIT	3.8	4.1	(6.7)	(0.3)
% margin	3.7	4.1		
Net Profit	2.4	2.5	(6.8)	(0.2)
% margin	2.3	2.5		
Y/E net debt (net cash)	(10.1)	(10.3)	(2.6)	0.3

Source: CFO Sim

Table 6 – Growens, 2024e new/old estimates

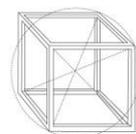
€ m	New	Old	% Diff.	€ m Diff.
Total Revenues	112.0	110.3	1.6	1.7
EBITDA	11.1	11.1	(0.6)	(0.1)
% margin	9.9	10.1		
EBIT	5.6	5.7	(1.2)	(0.1)
% margin	5.0	5.1		
Net Profit	3.5	3.5	(1.2)	(0.0)
% margin	3.1	3.2		
Y/E net debt (net cash)	(16.0)	(16.3)	(2.1)	0.3

Source: CFO Sim

Moreover, CFO has **updated the DCF valuation criteria**, bringing the Free Risk Rate up-to-date. The combined result is a **new PT of € 6.20/s** (€ 6.60), with an upside of 24.7% to current price levels. The downgrade is almost exclusively related to the significant increase in the Free Risk Rate, i.e. the 200-day moving average of the 10Y Italian Government Bond yield.

We also updated our sum-of-the-parts valuation, resulting in Growens's equity value of € 5.20/s (€ 5.80/s), almost exclusively because of the continuous decline in stock prices with regard to the tech sector worldwide.

We reiterate our BUY recommendation on the stock. In particular, the recently acquired company **Contactlab** 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 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 7 - 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.)	1.35%
Beta levered (x)	0.55
Required ROE	6.3%

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' 5Y levered beta. The **risk-free rate at 1.35%** (previously 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 8 - Growens, DCF model

€ m	2022e	2023e	2024e	2025e	2026e	Term. Val.
EBIT	1.9	3.8	5.6	7.0	8.8	
Tax rate	37.0%	37.0%	37.0%	37.0%	37.0%	
Operating profit (NOPAT)	1.2	2.4	3.5	4.4	5.5	
Change working capital	(1.3)	(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	(1.3)	4.7	5.9	5.6	5.5	115.7
Present value	(1.3)	4.3	5.0	4.5	4.1	87.2
WACC	6.3%	6.3%	6.3%	6.3%	6.3%	
Long-term growth rate	1.5%					

Source: CFO SIM

Table 9 – Growens, DCF derived from:

€ m	
Total EV present value € m	103.8
	<i>thereof terminal value</i>
NFP last reported - FY-21	84%
Pension last reported - FY-21	6.5
	(2.3)
Equity value € m	108.1
# m shares FD (excl. treasury shares)	17.3
Equity value €/s FD	6.20
% upside/(downside)	24.7%

Source: CFO SIM

By applying our DCF model we attained an equity value of € 108.1m, € 6.20/s (6.60), 24.7% 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; and 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 **€ 5.52-7.21/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 **€ 5.39-7.38/s (free-risk range between 2.10% and 0.60%)** and 3) if compared to changes in the risk premium, including small size premium, it results in an equity value of **€ 5.32-7.52/s (risk premium range between 10.50% and 7.50%)**.

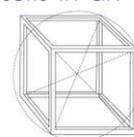


Table 10 – Growens, equity value sensitivity to changes in terminal growth rate

€ m	0.75%	1.00%	1.25%	1.50%	1.75%	2.00%	2.25%
Present value of CF	16.6	16.6	16.6	16.6	16.6	16.6	16.6
PV of terminal value	74.9	78.6	82.7	87.2	92.2	97.8	104.1
Total value	91.4	95.2	99.3	103.8	108.8	114.4	120.7
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	95.7	99.4	103.5	108.1	113.1	118.7	125.0
# m shares FD (excl. treasury shares)	17.3	17.3	17.3	17.3	17.3	17.3	17.3
Equity value €/s FD	5.52	5.73	5.97	6.20	6.52	6.84	7.21

Source: CFO SIM

Table 11 – Growens, equity value sensitivity to changes in free risk rate

€ m	0.60%	0.85%	1.10%	1.35%	1.60%	1.85%	2.10%
Present value of CF	17.0	16.8	16.7	16.6	16.5	16.3	16.2
PV of terminal value	106.8	99.5	93.0	87.2	82.0	77.3	73.0
Total value	123.8	116.4	109.7	103.8	98.5	93.6	89.2
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	128.0	120.6	114.0	108.1	102.7	97.9	93.5
# m shares FD (excl. treasury shares)	17.3	17.3	17.3	17.3	17.3	17.3	17.3
Equity value €/s FD	7.38	6.95	6.57	6.20	5.92	5.64	5.39

Source: CFO SIM

Table 12 – 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	17.0	16.9	16.7	16.6	16.4	16.3	16.2
PV of terminal value	109.2	100.9	93.6	87.2	81.5	76.4	71.8
Total value	126.2	117.8	110.4	103.8	97.9	92.7	88.0
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	130.5	122.0	114.6	108.1	102.2	97.0	92.2
# m shares FD (excl. treasury shares)	17.3	17.3	17.3	17.3	17.3	17.3	17.3
Equity value €/s FD	7.52	7.04	6.61	6.20	5.89	5.59	5.32

Source: CFO SIM

Sum of the parts

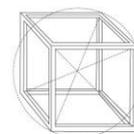
The sum-of-the-parts valuation, also known as breakup value analysis, is a process of valuing a company by determining what its aggregate divisions would be worth if spun off or acquired. The valuation provides the company's value by aggregating the standalone value of each of its business units. The 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 13 – 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	285	74	24	32.6%	8.6%	6.2%	6.4%	5.5%	(2.1)
CM.com NV	Netherlands	415	320	1	0.2%	28.4%	n.m.	n.m.	0.4%	6.0
Kaleyra Inc	USA	130	344	31	8.9%	29.1%	n.m.	n.m.	n.a.	n.a.
Link Mobility Group Holding ASA	Norway	357	526	71	13.4%	15.4%	13.7%	18.3%	50.8%	3.4
Sinch AB (publ)	Sweden	3,507	2,628	304	11.6%	30.8%	70.9%	123.0%	104.9%	2.8
Mobile Messaging median		386	435	51	10.2%	28.8%	42.3%	70.7%	50.8%	3.4
HubSpot Inc	USA	16,328	1,665	203	12.2%	31.1%	n.m.	n.m.	43.0%	(4.1)
Neosperience SpA	Italy	36	19	6	31.1%	18.4%	17.6%	48.1%	122.4%	0.7
Predictive Marketing median		8,182	842	104	21.6%	24.7%	17.6%	48.1%	82.7%	(1.7)
Growens SpA	Italy	74	93	7	7.9%	16.3%	28.6%	70.4%	71.8%	(0.6)

Source: CFO SIM, Thomson Reuters Eikon

Table 14 – Growens, peer group EV multiple table

x	Sales FY1	Sales FY2	Sales FY3	EBITDA FY1	EBITDA FY2	EBITDA FY3
dotDigital Group PLC (Email Marketing)	3.14	2.86	2.50	9.6	8.9	7.9
CM.com NV	1.31	1.06	n.a.	n.m.	52.3	n.a.
Kaleyra Inc	n.a.	0.54	0.36	n.a.	6.0	3.7
Link Mobility Group Holding ASA	1.14	0.93	0.73	8.5	6.6	5.2
Sinch AB (publ)	1.66	1.35	1.09	14.3	10.2	7.9
Mobile Messaging median	1.31	0.99	0.73	11.4	8.4	5.2
HubSpot Inc	9.31	7.23	5.67	76.5	53.4	37.2
Neosperience SpA	2.15	1.57	1.15	6.9	5.1	3.6
Predictive Marketing median	5.73	4.40	3.41	41.7	29.2	20.4
Growens SpA	0.75	0.62	0.52	9.4	6.9	5.3
% Prem./disc.) to dotDigital PLC	(76.3)	(78.2)	(79.2)	(2.5)	(22.8)	(33.8)
% Prem./disc.) to Mobile Messaging	(43.0)	(37.2)	(29.2)	(17.7)	(18.0)	1.9
% Prem./disc.) to Predictive Marketing	(87.0)	(85.8)	(84.8)	(77.5)	(76.5)	(74.2)

Source: CFO SIM, Thomson Reuters Eikon

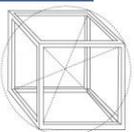


Table 15 – Growens, peer group EV & price multiple table

x	EBIT FY1	EBIT FY2	EBIT FY3	PER FY1	PER FY2	PER FY3
dotDigital Group PLC (Email Marketing)	14.2	13.2	11.5	20.7	19.8	18.6
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	19.7	13.0	9.5	19.6	11.7	8.6
Sinch AB (publ)	25.5	15.7	11.0	57.4	19.0	13.7
Mobile Messaging median	22.6	14.4	10.2	38.5	15.3	11.1
HubSpot Inc	106.4	71.8	47.3	138.4	96.3	67.7
Neosperience SpA	28.7	13.6	7.2	60.5	24.2	12.2
Predictive Marketing median	67.5	42.7	27.3	99.5	60.3	40.0
Growens SpA	35.8	16.7	10.4	62.8	31.3	21.3
% Prem./disc.) to dotDigital PLC	151.9	26.7	(9.4)	203.8	57.9	14.4
% Prem./disc.) to Mobile Messaging	58.2	16.4	1.5	63.1	103.9	90.7
% Prem./disc.) to Predictive Marketing	(47.0)	(60.8)	(61.9)	(36.9)	(48.1)	(46.8)

Source: CFO SIM, Thomson Reuters Eikon

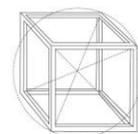
In our SOTP valuation, we used 1) the EV/EBITDA multiple of dotDigital Group to evaluate the MailUp + Contactlab and Acumbamail business units, 2) the EV/Sales multiple of dotDigital Group to evaluate BEE business unit, 3) the median EV/EBITDA multiple of the Mobile Messaging panel to appraise the Agile 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' 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 € 5.20/s (€ 5.80), almost exclusively because of the continuous stock prices decline with regard to the tech sector worldwide.

Table 16 – Growens, Sum of the Parts equity value assessment

	€ m	% on EV	Methodology
MailUp + Contactlab BU	29.2	33.0	7.7x peer multiple on € 3.8m BU EBITDA 2022e
Acumbamail BU	4.5	5.1	7.7x peer multiple on € 0.6m BU EBITDA 2022e
BEE BU	20.4	23.1	2.5x peer multiple on € 1m BU Sales 2022e
Agile Telecom BU	22.4	25.4	9.1x peer multiple on € 2.5m BU EBITDA 2022e
Datatrics BU	11.9	13.4	4.59x peer multiple on € 2.6m BU Sales 2022e
Total EV	88.4	100.0	
Holding costs	0.0		Perpetuity of holding costs @ 6.3%
NFP	4.7		FY-22e Net Financial Position
Pension Provision	(2.3)		Pension last reported - FY-21
Equity Value	90.8		
Per share FD	5.20		
% upside/(downside)		4.6%	

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**, +158.9% since the IPO. The stock reached a 1Y intraday maximum price of € 5.48/s on 17-Nov-21 and a minimum price of € 4.10/s on 7-Mar-22.

Table 17 – Growens, peer group and index absolute performance

	1D	1W	1M	3M	6M	YTD	1Y
dotDigital Group PLC (Email Marketing)	(5.8)	(8.5)	(9.4)	(42.0)	(67.4)	(59.0)	(58.6)
CM.com NV	3.2	1.2	(22.2)	(39.4)	(56.0)	(48.3)	(44.6)
Kaleyra Inc	(3.7)	(52.7)	(44.2)	(63.4)	(77.0)	(68.9)	(74.5)
Link Mobility Group Holding ASA	10.2	(10.8)	(14.2)	(19.6)	(44.1)	(35.3)	(65.7)
Sinch AB (publ)	7.2	10.5	(22.1)	(54.7)	(63.0)	(60.6)	(63.9)
Mobile Messaging median	5.2	(4.8)	(22.1)	(47.0)	(59.5)	(54.4)	(64.8)
HubSpot Inc	14.9	(0.1)	(20.1)	(34.7)	(57.7)	(46.0)	(25.1)
Neosperience SpA	2.5	0.2	(15.6)	(23.9)	(31.1)	(28.2)	(28.9)
Predictive Marketing median	8.7	0.1	(17.9)	(29.3)	(44.4)	(37.1)	(27.0)
Growens SpA	1.8	5.1	(3.3)	(1.4)	7.1	(1.0)	15.6
MSCI World Index	2.3	(2.2)	(8.7)	(11.1)	(16.2)	(16.4)	(6.6)
EUROSTOXX	2.3	1.4	(3.9)	(10.2)	(14.7)	(13.7)	(5.7)
FTSE Italia All Share	2.1	2.4	(3.2)	(10.6)	(13.7)	(12.3)	(2.1)
FTSE Italia STAR	2.9	1.1	(7.2)	(12.1)	(24.4)	(23.7)	(2.0)
FTSE Italia Growth	1.5	(0.3)	(6.7)	(9.3)	(14.3)	(15.1)	7.1

Table 18 – Growens relative performances

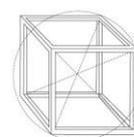
	1D	1W	1M	3M	6M	YTD	1Y
To dotDigital Group PLC	7.7	13.5	6.1	40.6	74.5	58.0	74.2
To peer Mobile Messaging median	(3.3)	9.9	18.8	45.6	66.6	53.4	80.4
To peer Predictive Marketing median	(6.9)	5.0	14.6	27.9	51.5	36.1	42.6
To MSCI World Index	(0.5)	7.3	5.4	9.7	23.3	15.4	22.2
To EUROSTOXX	(0.4)	3.7	0.6	8.8	21.8	12.7	21.3
To FTSE Italia All Share	(0.2)	2.7	(0.1)	9.2	20.8	11.4	17.7
To FTSE Italia STAR	(1.1)	4.0	3.9	10.7	31.5	22.7	17.6
To FTSE Italia Growth	0.3	5.4	3.4	7.9	21.4	14.1	8.4

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, key people;
- M&A execution being hampered by potential consolidating actors showing higher firepower in the industry.



ANALYST CERTIFICATION

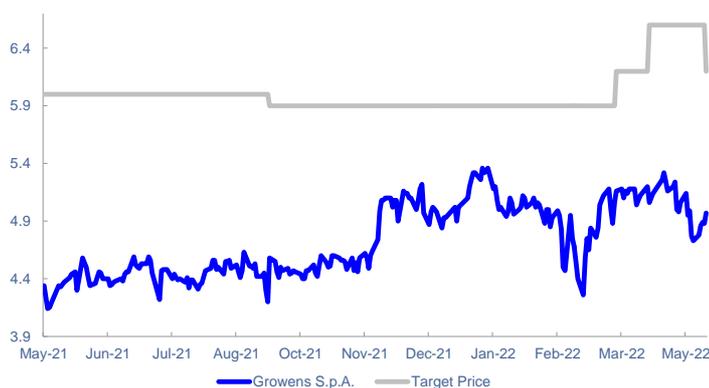
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DATE	TARGET PRICE	RATING
16/05/2022	€6.20	BUY
12/04/2022	€6.60	BUY
25/03/2022	€6.20	BUY
11/11/2021	€5.90	BUY
17/09/2021	€5.90	BUY
20/05/2021	€6.00	BUY

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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.

