

Growens

Sector: Marketing Technology



Analysts

Marco Greco

+39 02 80886654

marco.greco@value-track.com

Luca Bernini

luca.bernini@value-track.com

Time to apply the rule of 40

Growens is an integrated industrial group developing technologies for predictive marketing, mobile messaging and content creation, meant for organisations wishing to communicate effectively with their customers worldwide.

1H22: Revenues strongly up, profitability down

1H22 results came ahead of our FY22E top line expectations, while being short on profitability.

- 1) Revenues were up double-digit both in SaaS and CPaaS components, +35% and +44% y/y respectively;
- 2) EBITDA was down -44% to ca. €1.4mn (EBITDA margin at 2.9% as of 1H22 vs. 7.1% as of 1H21) due to: a) higher S&M costs supporting the growth of the various Business Units, b) lower EBITDA of the CPaaS line and, c) one-off costs related to Contactlab acquisition;
- 3) Net Cash Position weighed down by changes in Working Capital and by €3.7mn Contactlab's acquisition cash out.

On the positive side we flag BEE's continuous growth (\$10mn ARR achieved as of August 2022), while on the negative side we underline Datatrics much slower than expected recovery.

New estimates: top line up, margins and Net cash cut

We are updating our 2022E-24E estimates, as follows:

- ◆ Top line revised upward, considering Contactlab's additional revenue contribution and Agile Telecom's stronger results;
- ◆ Operating Profitability revised downward, to take into account weaker than expected 1H22 results, Datatrics lagging recovery and some additional one-off costs related to Contactlab integration;
- ◆ Worthy to mention, Growens top management has stated that from now it will try to follow the "rule of 40%" for all the business units, i.e. either they grow at double digit rates, or they commit to generate double digit margins.

Fair Value at €6.00 per share (from €6.50)

Growens proved to be a resilient stock, being substantially flat YTD compared to the average performance of international MarTech competitors, whose share value has more than halved YTD.

Taking into account revised 2022E-24E financial forecasts, we update our Sum-of-the-Parts based fair value at €6.00 p.s. (down from €6.50). At such fair value, Growens would trade at 0.8x EV/Sales and 13.1x EV/EBITDA 2023E. We note that an increasing part of Group's value derives from BEE, and we expect this trend to continue.

Fair Value (€) **6.00**

Market Price (€) **4.79**

Market Cap. (€m) **73.7**

KEY FINANCIALS (€m)	2021A	2022PFE	2023E
REVENUES	71.2	100.1	113.8
EBITDA	5.2	4.5	7.0
EBIT	1.1	-1.1	0.6
NET PROFIT	0.4	-0.6	0.5
EQUITY	17.5	16.9	17.4
NET CASH POS.	6.5	0.5	4.5
EPS ADJ. (€)	0.02	0.00	0.03
DPS (€)	0.00	0.00	0.00

Source: Growens (historical figures), Value Track (2022E-23E estimates)

KEY FINANCIALS (€m)	2021A	2022PF	2023E
EBITDA MARGIN (%)	7.3	4.5	6.2
EBIT MARGIN (%)	1.6	nm	0.5
NET DEBT / EBITDA (x)	nm	nm	nm
NET DEBT / EQUITY (x)	nm	nm	nm
EV/SALES (x)	0.9	0.8	0.6
EV/EBITDA (x)	12.5	16.7	10.2
EV/EBIT (x)	57.6	nm	nm
P/E ADJ. (x)	nm	nm	nm

Source: Growens (historical figures), Value Track (2022E-23E estimates)

STOCK DATA

FAIR VALUE (€)	6.00
MARKET PRICE (€)	4.79
SHS. OUT. (m)	15.4
MARKET CAP. (€m)	73.7
FREE FLOAT (%)	34.9
AVG. -20D VOL. (#)	5,133
RIC / BBG	GROW.MI / GROW IM
52 WK RANGE	4.10-5.48

Source: Stock Market Data



Business Description

Growens is a leading cloud based digital marketing technology hub currently offering its solutions to several thousand customers worldwide, with a consolidated expertise on small to medium-sized enterprises.

In greater detail, Growens is involved in the provisioning of email marketing services, delivery of mobile text messages (for both transactional and marketing purposes), email editing support, Predictive Marketing CDP and professional services to business clients.

Key Financials

€mn	2021A	2022PFE	2023E	2024E
Total Revenues	71.2	100.1	113.8	126.2
Chg. % YoY	9.2%	40.5%	13.7%	10.9%
Reported EBITDA	5.2	4.5	7.0	8.0
EBITDA Margin (%)	7.3%	4.5%	6.2%	6.3%
Reported EBIT	1.1	-1.1	0.6	1.5
EBIT Margin (%)	1.6%	-1.1%	0.5%	1.2%
Reported Net Profit	0.4	-0.6	0.5	1.1
Chg. % YoY	-34.8%	-270.4%	-171.7%	nm
Adjusted Net Profit	0.4	0.0	0.5	1.1
Chg. % YoY	-34.8%	-93.1%	nm	nm
Net Fin. Position	6.5	0.5	4.5	6.8
Net Fin. Pos. / EBITDA (x)	nm	nm	nm	nm
Capex	-4.1	-4.2	-4.0	-5.5
OpFCF b.t.	4.7	-0.9	4.1	2.7
OpFCF b.t. as % of EBITDA	89.7%	-20.6%	59.1%	33.2%

Source: Growens SpA (historical figures), Value Track (estimates)

Investment case

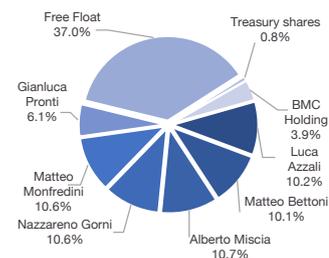
Strengths / Opportunities

- ◆ Full range of marketing technology services (SMS, email, email editor, CDP services, professional ones);
- ◆ Highly diversified customer base ranging from professional marketers to developers and to wholesalers both at a domestic and international level;
- ◆ Intense and effective R&D effort generating high-value opportunities.

Weaknesses / Risks

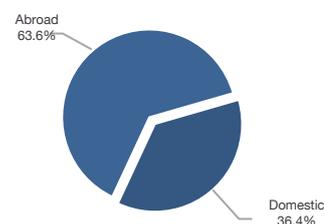
- ◆ Much smaller size if compared to Anglo-Saxons competitors;
- ◆ MarTech moves fast and Growens capability to keep up with the pace could be limited due to financial availabilities.

Shareholders Structure



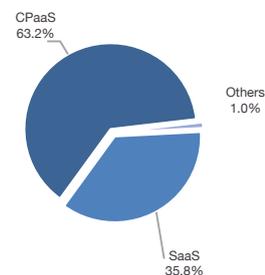
Source: Growens SpA

FY2021 Revenues by geography



Source: Growens SpA

FY2021 Revenues by business line



Source: Growens SpA

Stock multiples @ €6.00 Fair Value

	2022PFE	2023E
EV / SALES (x)	1.0	0.8
EV / EBITDA (x)	21.2	13.1
EV / EBIT (x)	nm	150.6
EV / CAP.EMP. (x)	5.8	7.1
OpFCF Yield (%)	-1.0	4.5
P / E (x)	nm	nm
P / BV (x)	5.6	5.4
Div. Yield. (%)	0.0	0.0

Source: Value Track

Top line above expectations, short on profitability

Growens interim results are ahead of our FY22E expectations as far as top line is concerned, while lower in terms of operating profitability. Key messages are as follows:

- ◆ Top line: Double-digit increase of the core SaaS and CPaaS revenue components;
- ◆ Operating Profitability: negatively impacted by higher S&M costs, worse product mix and one-off elements;
- ◆ Cash Flow generation: Operating cash flow absorption due to adverse Working Capital evolution (also due to Contactlab consolidation effect);
- ◆ Net Cash Position weighed down by Working Capital evolution and by Contactlab's acquisition cash out.

Growens: 1H22 Key Financial Items

(€mn)	1H21	1H22	Δ YoY (%)
SaaS Revenues	12.50	16.90	35.2%
CPaaS Revenues	20.74	29.81	43.7%
Other Revenues	0.45	0.48	5.8%
Total Revenues	33.69	47.18	40.0%
Gross Profit	11.60	13.67	17.9%
Reported EBITDA	2.41	1.36	-43.7%
Reported Net Profit	0.30	-0.93	n.m.
Net Fin. Position [Cash (+)]	6.52 (*)	1.02	n.m.
Net Fin. Position [Cash (+)] ex IFRS16	9.82 (*)	3.69	n.m.

Source: Growens, Value Track analysis (*) As of 31/12/2021

Growens by Business Units: 1H22 vs. 1H21

€mn	Revenues			EBITDA		
	1H21	1H22	Δ(%)	1H21	1H22	Δ(%)
Mailup	8.2	ca. 8.9	ca. 7%	1.4	ca. 1.4	ca. 0%
Contactlab (*)	--	ca. 1.7	nm	--	ca. 0	nm
One-Off Costs	--	--	nm	0	ca. -0.3	nm
MailUp + Contactlab (*)	8.2	10.6	28.9%	1.4	1.1	-21.1%
Agile Telecom	22.3	31.9	43.4%	1.1	0.7	-34.1%
Acumbamail	1.0	1.2	19.9%	0.2	0.2	-21.2%
BEE	2.4	4.0	67.2%	0.1	0.4	178.8%
Datatrix	1.3	1.2	-8.5%	-0.4	-0.9	112.0%
Holding	3.5	4.8	nm	-0.2	-0.3	45.6%
Consolidation Adj.	-4.9	-6.5	nm	0.2	0.1	nm
Total	33.7	47.2	40.0%	2.4	1.4	-43.7%

Source: Growens, Value Track Analysis (*) Contactlab consolidated starting as of 01/05/2022

Double digit revenues increase of the core SaaS and CPaaS revenue components

Total Revenues 1H22 stood at €47.2mn, +40% y/y (+35% l-f-l) driven by the growth of both core SaaS and CPaaS components. Indeed:

- ◆ SaaS component grew by +35% y/y (+21% l-f-l) to €16.9mn (36% incidence on total);
- ◆ CPaaS component increased by +44% y/y to €29.8mn, (63% incidence on total).

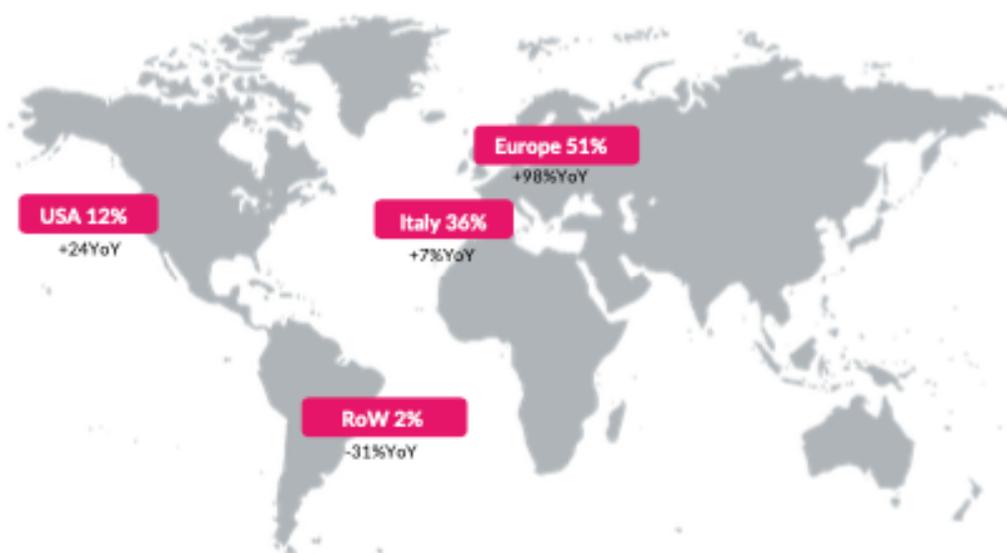
Focusing on the various business units, on the positive side we note that:

- ◆ Agile Telecom Business Unit recorded the highest turnover in absolute terms, at €32mn (+43% y/y), boosted by the acquisitions of new customers;
- ◆ BEE confirms its role as the fastest growing business unit, with Revenues up +67.2% y/y (52% net of EUR/USD evolution) and hits the US\$10mn milestone of Annual Recurring Revenues (ARR) as of August 2022;
- ◆ Following the acquisition of Contactlab, MailUp's Business Unit recorded growth of +28.9%y/y, (we calculate some 7% l-f-l).

On the contrary, on the negative side we note that Datatrics Business Unit recorded Revenues down by -8.5% y/y, defying management's expectations of a recovery in the post-pandemic period.

Worthy to note, revenues from abroad now account for ca. 64% of total.

Geographic revenue distribution 1H22



Source: Value Track Analysis, Growens

EBITDA down 44% y/y due to higher S&M, worse product mix and one-off costs

1H22 Gross Profit margin was down y/y ca. 1580 bps (from 34.4% to 29.0%), and 1H22 Consolidated EBITDA stood at €1.4mn, down by ca.44% y/y (2.9% margin vs. 7.1% 1H22).

Such negative performance was impacted by a number of factors, namely:

- 1) Contactlab line-by-line consolidation (starting as of May 1st 2022) that added almost nihil EBITDA;
- 2) Higher S&M costs supporting the growth of BEE Business Unit;

- 3) Much lower marginality of the CPaaS line, due to: a) the sale of some strategic routes, b) the initial low profitability of new clients added during the semester;
- 4) Ca. €300k one-off costs related to the acquisition of Contactlab;

As a matter of fact, only BEE business unit recorded a y/y increase in 1H22 EBITDA.

Growens Group: EBITDA breakdown by business unit

	1H21 (€mn)	Margin (%)	1H22 (€mn)	Margin (%)
MailUp	1.4	4.2%	1.1	2.4%
Agile Telecom	1.1	3.2%	0.7	1.5%
Acumbamail	0.2	0.6%	0.2	0.3%
BEE	0.1	0.4%	0.4	0.8%
Datatics	-0.4	-1.3%	-0.9	-1.9%
Holding & Consolid. Adj.	0.0	-0.1%	-0.1	-0.3%
Group EBITDA	2.4	7.1%	1.4	2.9%

Source: Growens, Value Track analysis

Higher D&A driving €1mn net loss

Below the EBITDA line, higher D&A charge led the bottom line in the red for ca. €-0.9mn, vs. positive €0.3mn in 1H21.

Growens: Profit & Loss Statement (1H21-1H22)

(€mn)	1H21	1H22	Δ YoY (%)
Total Revenues	33.7	47.2	40.0%
COGS	-22.1	-33.5	
Gross Profit	11.6	13.7	17.9%
S&M	-3.3	-4.8	
R&D	-1.8	-2.1	
G&A	-4.0	-5.4	
EBITDA	2.4	1.4	-43.7%
D&A	-1.9	-2.4	
EBIT	0.5	-1.0	n.m.
Interest expenses / income	0.0	0.1	
Taxes	-0.1	0.0	
Net Profit	0.3	-0.9	n.m.

Source: Growens, Value Track analysis

Positive Net Cash, but liquidity absorption due to adverse Working Capital evolution

1H22 OpFCF a.t. was positive by ca. €0.4mn as Capex stood at €2.2mn and Net Working Capital absorbed ca.€1.2mn cash, affected by:

- ◆ €2.7mn increase in trade receivables related to Contactlab's acquisition;
- ◆ €1.7mn increase in trade receivables related to Agile Telecom's business, which was marked by significant amounts deferred with respect to the accounting closing of the period, regularly completed shortly after the end of the half-year.

Growens: Cash Flow (1H21-1H22)

€ mn	1H21	1H22
EBITDA	2.4	1.4
Working Capital Needs	-0.9	-1.2
Capex	-2.1	-2.2
Cash Taxes	-0.1	0.0
Chg. in Provisions	0.2	2.4
OpFCF a.t.	-0.5	0.4

Source: Growens, Value Track Analysis

Despite the positive OpFCF, Net Cash Position stood at ca.€1.0mn at 30 June 2022, down from the €6.5mn balance as of 31December 2021, mainly due to the financial outlay for the cash component paid in the acquisition of Contactlab.

IFRS 16 adoption, resulted in a notional debt item of approximately €2.7mn, while cash and cash equivalents exceeded €9.7mn as of 30 June 2022.

Growens: Balance Sheet (1H21-1H22)

€ mn	1H21	2H21	1H22
Net Working Capital	-9.0	-12.9	-11.7
Net Fixed assets	27.9	27.1	33.7
Severance pay and other funds	2.8	3.2	5.6
Net Invested Capital	16.0	11.0	16.4
Group Net Equity	17.6	17.5	17.4
Net Fin. Position [Net debt (-) / Cash (+)]	1.6	6.5	1.0
Net Fin. Position ex IFRS16 effect	5.1	9.8	3.7

Source: Growens, Value Track Analysis

Need to put BEE into spotlight

BEE (Best Email Editor) is Growens’ bootstrapped / internally developed email editing tool. Among Growens business units, BEE is the one that is posting the highest growth rates, achieving as of August 2022 the important US\$10mn ARR threshold.

As such, we believe that more and more value of Growens group will come from this business unit, so it’s worth highlighting once again its main features.

Business description

BEE is an email editing tool that features a drag-&-drop interface enabling anyone (both marketers and developers) to create complex and appealing email messages with a professional design that can be used to send a company newsletter, announce a new product, promote a sale or other commercial activities.

BEE is based on a “freemium” approach, thus allowing to address the whole spectrum of potential customers, ranging from unsophisticated to sophisticated marketers, also including developers. Indeed, the product comes in three versions: BEE Free, by definition, a free product, and BEE Pro and BEE Plugin that are revenue generating products.

- ◆ **BEE Free** can be utilized on a stand-alone basis and absolutely for free on <https://beefree.io> where users can pick a template, add their content, download the message, and use it virtually anywhere without even the necessity to sign in;
- ◆ **BEE Pro**, available at <https://beefree.io/bee-pro/>, represents an upgraded version which of course is not free and provides customers with many more available tools and templates;
- ◆ **BEE Plugin** is specifically designed to allow developers to embed BEE into any software, CRM, CMS or e-commerce system. Indeed, BEE does generally come with an email marketing platform (with MailUp, for instance).

BEE: One product, three versions

<p>BEE Free TO TRY THE EDITOR</p>  <p>Build an email, free & fast. Drag & drop email creation. No signup required. Jump right in.</p> <p>LEARN MORE</p>	<p>BEE Pro FOR FREELANCERS, TEAMS & AGENCIES</p>  <p>Save, edit, search, organize. Cut down on email production time & cost. Collaborate more. Have fun.</p> <p>LEARN MORE</p>	<p>BEE Plugin FOR WEB APPS</p>  <p>Embed BEE in your web app Save development time & cost. Give your customers an editor they'll love.</p> <p>LEARN MORE</p>
--	---	---

Source: MailUp Group

Market penetration

Since the launch date, back in 2017, BEE has kept always growing its users / clients base and as of today accounts for ca. 11k clients plus 520k free users, thus being by far the #1 player worldwide in this segment by market presence and among the top three by customers satisfaction, according to users' reviews.

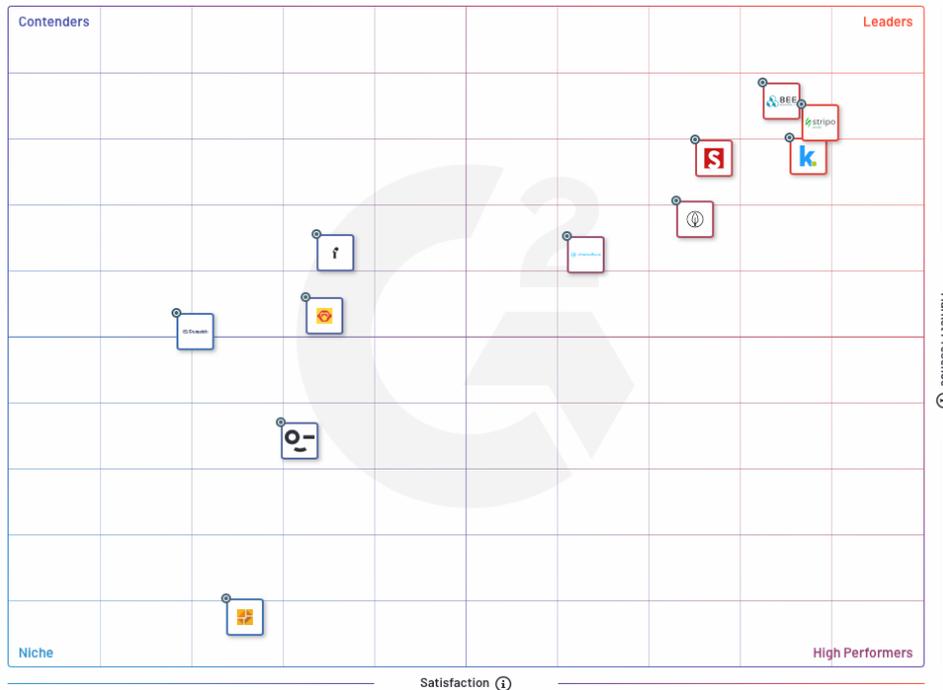
BEE: Business Unit highlights

Company	Competition	Strategy	KPIs
<ul style="list-style-type: none"> • MailUp spin-off in 2017 • Business team and IP in USA + tech team in Italy • 11,000+ Clients, from freelancers to large corporations, 50% in North America • 520,000+ free users • 60 employees 	<ul style="list-style-type: none"> • #1 player worldwide • Few players, mainly start-ups and followers of BEE • Upmarket: companies focused on enterprise clients: Stensul, Knak 	<ul style="list-style-type: none"> • Growth: to become the world leading standard for email and landing page creation • Leverage the free version to expand globally and a new enterprise offering to maximize the value creation 	<ul style="list-style-type: none"> • ARR*: \$10m • Net Rev. Retention: 113% • LTV BEEPro: \$435 LTV BEEPlugin: \$49,505 • Payback period: 9 months • NPS: 54 • Recurring revenues: 98% • EBITDA**: 10% • Gross Margin***: 71%

KPI data as of June 2022 - *as of August 2022; **as of 1H 2022
Source: Company financial statements and elaborations

Source: Value Track Analysis, Growens

BEE: Competitive positioning



Source: www.g2.com, Value Track Analysis, Growens

More in particular, the revenue generating product BEE plugin is utilized by more than 1,000 SaaS companies and embedded in a very high percentage of MarTech platforms.

BEE Plugin: Market penetration

BEE Plugin

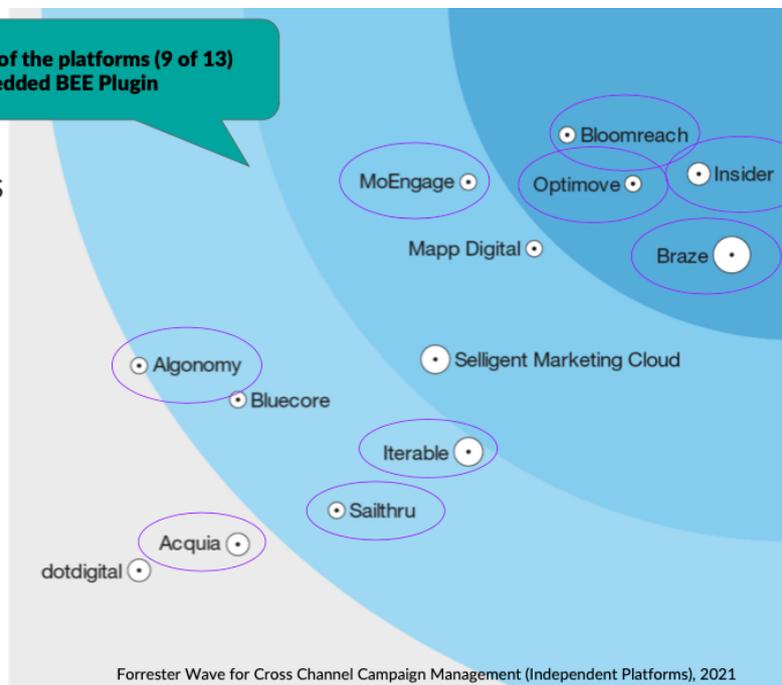
Becoming a standard tool for SAAS

BEE Plugin is used by 1,000+ SaaS companies, with clear market leadership.

BEE is embedded by:

- 46% (6 of 13) of the Email Marketing Service Providers (ref: 2022 Forrester Wave for Email Marketing Service Providers)
- 40% (8 of 20) of the Multichannel Marketing Platforms (ref: 2021 Gartner Quadrant for Multichannel Marketing Platforms)

69% of the platforms (9 of 13) embedded BEE Plugin



Source: Value Track Analysis, Growens, Forrester

Financials

BEE has always been compliant with “efficiency rule of 40%”, boasting double-digit growth rates coupled with positive operating profitability. Based on 2H21-1H22 figures, we calculate an efficiency ratio in the 70% range.

BEE: Quarterly evolution of gross revenues

	1H18	2H18	1H19	2H19	1H20	2H20	1H21	2H21	1H22
Revenues (€mn)	0.43	0.77	1.07	1.53	1.83	2.09	2.38	3.21	3.98
Growth YoY (%)	n.a.	n.a.	224%	43%	71%	36%	30%	54%	67%
EBITDA (€mn)	0.10	0.30	0.32	0.43	0.09	0.39	0.14	0.18	0.38
EBITDA Margin (%)	17%	36%	27%	25%	5%	19%	6%	6%	10%

Source: Growens, Value Track Analysis

Estimates Update

We are fine-tuning our 2022E-24E estimates, as follows:

- ◆ **Top line revised upward**, considering Contactlab's revenue contribution and Agile Telecom's better than expected results;
- ◆ **Operating Profitability revised downward**, to take into account a weak half-year in terms of margins;
- ◆ **Net Cash Position lowered** to incorporate acquisition cash-out and some other minor outflows.

Growens: New vs. Old estimates

€mn	2022E			2023E			2024E		
	Old	New	Δ(%)	Old	New	Δ(%)	Old	New	Δ(%)
Total Revenues	93.5	100.1	7.1%	108.1	113.8	5.3%	120.3	126.2	4.9%
Adjusted EBITDA	7.4	5.3	-28.1%	8.8	7.0	-20.5%	10.2	8.0	-21.8%
Reported EBITDA	7.0	4.5	-35.5%	8.8	7.0	-20.5%	10.2	8.0	-21.8%
EBITDA Margin (%)	7.5%	4.5%	-296bps	8.1%	6.2%	-200bps	8.5%	6.3%	-216bps
EBIT	1.38	-1.13	-181.9%	3.2	0.6	-81.1%	4.7	1.5	-68.2%
EBIT Margin (%)	1.48%	-1.13%	-261bps	3.0%	0.5%	-244bps	3.9%	1.2%	-274bps
Net Profit	0.8	-0.6	-176.6%	2.1	0.5	-78.3%	3.3	1.1	-66.2%
Adjusted Net Profit	1.1	0.0	-97.6%	2.1	0.5	-78.3%	3.3	1.1	-66.2%
Capex	-4.2	-4.2	0.0%	-4.0	-4.0	0.0%	-3.5	-3.5	0.0%
Net Cash Position	2.2	0.5	-76.4%	7.1	4.5	-37%	11.0	6.8	-38%

Source: Value Track Analysis

That said, the impact on our 2022E-24E financial forecasts can be summarized as follows:

- ◆ **Revenues** – estimates up, with total turnover likely to grow at double-digit pace (+21% CAGR21-24), moving from €71.2mn as of 2021A to ca. €126.2mn at the end of forecast period.

Growens: 2020A-24E Revenues forecasts

(€mn)	2021A	2022E	2023E	2024E	CAGR 21-24
MailUp+ Contactlab	16.6	29.0	32.2	36.0	29.44%
Agile Telecom	47.5	58.0	65.0	70.0	13.83%
Acumbamail	1.6	1.6	2.4	3.1	32.46%
BEE	3.9	3.9	8.2	10.0	45.25%
Datatrix	2.9	2.5	2.5	3.5	21.16%
Consolidation Adj.	-8.3	0.0	0.0	0.0	
Total Revenues	71.2	100.1	113.8	126.2	26.4%

Source: Value Track analysis

- ◆ **EBITDA** – estimates revised downwards in order to take into account additional expenses (higher S&M, worse product mix and one-off costs), but still expected to grow at a double digit

pace (15.4% CAGR21A-24E), driven by MailUp/Contactlab integration plan, whose first synergies will be visible from 2023;

- ◆ **EBIT** – projected to increase up to €1.5mn in 2024E;
- ◆ **Group EBITDA and EBIT margins** are seen to converge to 6.3% and 1.2% respectively;
- ◆ **Net Cash Position** – lifting up to €6.8mn in 2024E thanks to ca. €6.2mn cumulated Free Cash Flow over 2023E-2024E.

Growens: P&L figures 2021A-24E

€mn	2021A	2022PFE	2023E	2024E
Total Revenues	71.2	100.1	113.8	126.2
COGS	-48.6	-69.6	-78.4	-87.9
Other Opex	-17.4	-26.0	-28.5	-30.3
Reported EBITDA	5.2	4.5	7.0	8.0
EBITDA Margin (%)	7.3%	4.5%	6.2%	6.3%
Depreciation & Amortization	-4.1	-5.6	-6.4	-6.5
EBIT	1.1	-1.1	0.6	1.5
Net Fin. Income (charges)	0.0	0.1	0.1	0.1
Pre-tax Profit	1.1	-1.0	0.7	1.6
Taxes	-0.7	0.4	-0.2	-0.5
Net Profit	0.4	-0.6	0.5	1.1
Adjusted Net Profit	0.4	0.0	0.5	1.1

Source: Growens (historical figures), Value Track (forecasts)

Growens: Balance Sheet figures 2021A-24E

€mn	2021A	2022PFE	2023E	2024E
Net Working Capital	-12.9	-11.1	-11.7	-11.2
Net Fixed Assets	27.1	31.2	28.8	27.8
Provisions	3.2	3.7	4.3	4.9
Total Capital Employed	11.0	16.4	12.9	11.7
Group Net Equity	17.5	16.9	17.4	18.5
Net Fin. Position [i.e. Net Debt (-) Cash (+)]	6.5	0.5	4.5	6.8

Source: Growens (historical figures), Value Track (forecasts)

Growens: Cash Flow figures 2021A-24E

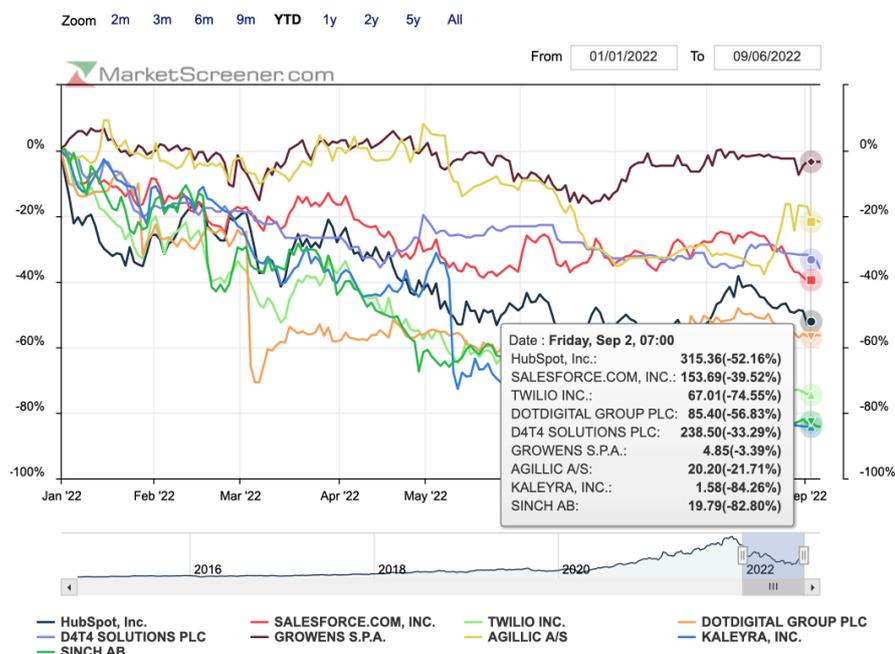
€mn	2021A	2022PFE	2023E	2024E
Reported EBITDA	5.2	4.5	7.0	8.0
Change in NWC	3.0	-1.7	0.6	-0.5
Capex	-4.1	-4.2	-4.0	-5.5
Change in Provisions	0.6	0.5	0.6	0.6
Cash Taxes	-0.7	0.4	-0.2	-0.5
Cash out for M&A deals	0.1	-5.6	0.0	0.0
Net Cash generated	4.0	-6.0	4.0	2.3

Source: Growens (historical figures), Value Track (forecasts)

Investment case and valuation

Despite the negative evolution of international tech stocks, Growens shares have been pretty resilient in the latest months, outperforming the entire cluster of comparables typically considered.

Growens: YTD stock performance vs. comparables



Source: Market Screener

Growens currently trades at 9.6x EV/EBITDA 2023E, still embedding a wide discount compared to 14x-15x EV/EBITDA 2023E of its international peers.

Growens: Foreign Peers stock trading multiples

Company	EV / Sales			EV / EBITDA		
	2022E	2023E	2024E	2022E	2023E	2024E
Hubspot	8.7	6.9	5.4	nm	nm	nm
Dotdigital	3.4	3.1	2.7	10.4	9.7	8.6
Salesforce	5.6	4.6	3.8	18.1	19.8	16.6
Twilio	2.7	2.1	1.7	nm	28.6	20.3
D4T4 Solutions	3.3	2.5	2.1	22.2	13.9	11.0
Agilic	5.2	5.1	5.3	nm	nm	nm
Kaleyra Inc.	0.6	0.5	0.4	7.9	5.3	4.0
SINCH AB	0.8	0.7	0.5	8.0	5.4	3.9
Vonage Holdings	3.6	3.1	2.6	28.4	21.7	18.6
Total Average	3.8	3.2	2.7	15.8	14.9	11.9
Total Median	3.4	3.1	2.6	14.2	13.9	11.0
Growens Group	0.7	0.6	0.5	14.6	9.6	7.6

Source: Value Track Analysis

Taking into account revised 2022E-24E financial forecasts, we update **Growens fair value at €6.00 per share** (from €6.50). At such fair value, MailUp Group would trade at 0.8x EV/Sales and 13.1x EV/EBITDA. 2023E.

Our €6.00 shares valuation is the result of a Sum-of-the-Parts model, based on the following key updated assumptions:

- ◆ Downward revision of MailUp and Agile Telecom business units 2022E valuation, pulled down by lower projected EBITDA assumptions;
- ◆ Slightly higher valuation for Bee, based on Annualized Recurring Revenue;
- ◆ Unchanged valuation for Acumbamail and Datatrics.

Growens has recently renegotiated the earn-out agreement related to Datatrics acquisition (see Value Track flash note published back as of July 12th 2022) and, as a consequence, it has issued some 422k new shares to destined to Datatrics seller, BMC Holding BV.

Growens: Sum-of-the-Parts valuation

Company	Stake (%)	EV (€mn)	EV (%)	Valuation Method
MailUp + Contactlab	100%	37.7	29.8%	1.7x EV/Sales '22 – 10.0x EV/EBITDA '22
Agile Telecom	100%	34.8	27.6%	1.0x EV/Sales '22 - 10.0x EV/EBITDA '22
Acumbamail	100%	6.0	4.7%	2.5x EV/Sales '22
BEE	95.2%	38.1	30.2%	4.0x EV/ARR (Annual Recurring Revenue)
Datatrics	100%	9.7	7.7%	4.0x EV/ARR (Annual Recurring Revenue)
Net Cash Position 2022PFE		0.5		
Holding costs		34.4		
Net Asset Value (€mn)		92.4		
Fair equity value per share (€ p.s.)		6.00		

Source: Value Track Analysis

Spotlight on BEE valuation

In our view the August 2022 achievement of US\$10mn ARR threshold opens up several possibilities to exploit the hidden valuation of BEE (see Bessemer Venture Capital statements: “[...] we typically start looking at companies when they hit \$10mn of ARR [...], <https://www.bvp.com/atlas/scaling-from-1-to-10-million-arr>).

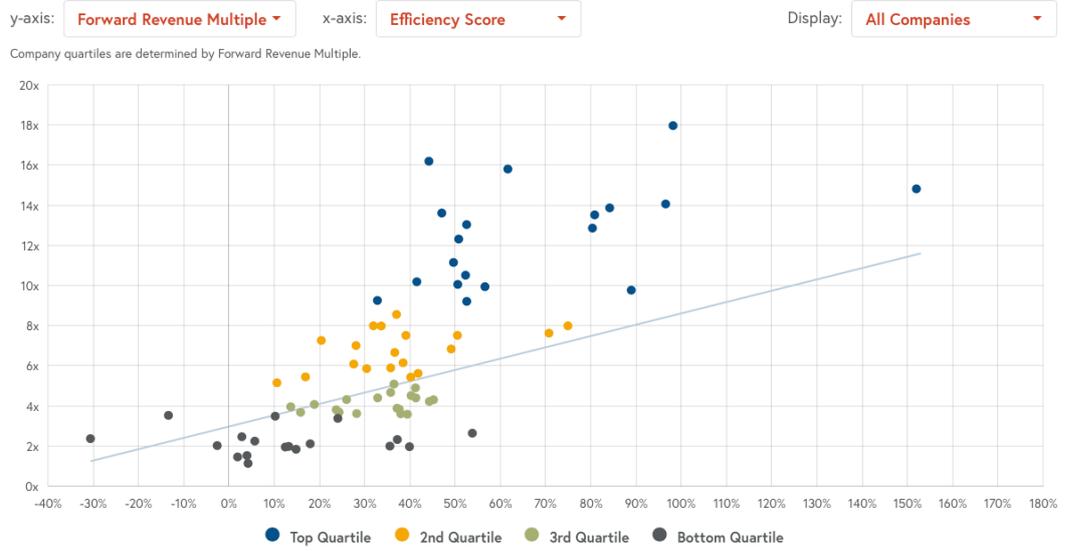
As a matter of facts, being BEE an unlisted business unit owned and managed by Growens, we deem reasonable to apply EV/ARR multiples at deep discount vs. similar listed peers.

At the same time, we underline that similar listed peers in the US are valued based on their efficiency ratio (sales growth + ebitda margin) and BEE's ca. 70% would deserve some 8x EV/ARR.

This means that according to US metrics BEE could be worth up to €80mn compared to the €40mn currently embedded in our valuation.

BEE: Efficiency score (%) vs. EV/Forward Revenue multiple

Multiple Benchmarks



Source: Bessemer Venture Partners (Sept. 2022)

DISCLAIMER

THIS DOCUMENT IS PREPARED BY VALUE TRACK S.R.L. THIS DOCUMENT IS BEING FURNISHED TO YOU SOLELY FOR YOUR INFORMATION ON A CONFIDENTIAL BASIS AND MAY NOT BE REPRODUCED, REDISTRIBUTED OR PASSED ON, IN WHOLE OR IN PART, TO ANY OTHER PERSON. IN PARTICULAR, NEITHER THIS DOCUMENT NOR ANY COPY THEREOF MAY BE TAKEN OR TRANSMITTED OR DISTRIBUTED, DIRECTLY OR INDIRECTLY, INTO CANADA OR JAPAN OR AUSTRALIA TO ANY RESIDENT THEREOF OR INTO THE UNITED STATES, ITS TERRITORIES OR POSSESSIONS. THE DISTRIBUTION OF THIS DOCUMENT IN OTHER JURISDICTIONS MAY BE RESTRICTED BY LAW AND PERSONS INTO WHOSE POSSESSION THIS DOCUMENT COMES SHOULD INFORM THEMSELVES ABOUT, AND OBSERVE, ANY SUCH RESTRICTION. ANY FAILURE TO COMPLY WITH THESE RESTRICTIONS MAY CONSTITUTE A VIOLATION OF THE LAWS OF ANY SUCH OTHER JURISDICTION. THIS DOCUMENT DOES NOT CONSTITUTE OR FORM PART OF, AND SHOULD NOT BE CONSTRUED AS, AN OFFER, INVITATION OR INDUCEMENT TO SUBSCRIBE FOR OR PURCHASE ANY SECURITIES, AND NEITHER THIS DOCUMENT NOR ANYTHING CONTAINED HEREIN SHALL FORM THE BASIS OF OR BE RELIED ON IN CONNECTION WITH OR ACT AS AN INVITATION OR INDUCEMENT TO ENTER INTO ANY CONTRACT OR COMMITMENT WHATSOEVER. THIS DOCUMENT HAS NOT BEEN PUBLISHED GENERALLY AND HAS ONLY BEEN MADE AVAILABLE TO INSTITUTIONAL INVESTORS. IN MAKING AN INVESTMENT DECISION, POTENTIAL INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE COMPANY AND ITS GROUP INCLUDING THE MERITS AND RISKS INVOLVED. THIS DOCUMENT IS FOR DISTRIBUTION IN OR FROM THE UNITED KINGDOM ONLY TO PERSONS WHO: (I) HAVE PROFESSIONAL EXPERIENCE IN MATTERS RELATING TO INVESTMENTS FALLING WITHIN ARTICLE 19(5) OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (FINANCIAL PROMOTION) ORDER 2005 (AS AMENDED, THE “**FINANCIAL PROMOTION ORDER**”), (II) ARE PERSONS FALLING WITHIN ARTICLE 49(2)(A) TO (D) (“HIGH NET WORTH COMPANIES, UNINCORPORATED ASSOCIATIONS ETC.”) OF THE FINANCIAL PROMOTION ORDER, (III) ARE OUTSIDE THE UNITED KINGDOM, OR (IV) ARE PERSONS TO WHOM AN INVITATION OR INDUCEMENT TO ENGAGE IN INVESTMENT ACTIVITY (WITHIN THE MEANING OF SECTION 21 OF THE FINANCIAL SERVICES AND MARKETS ACT 2000) IN CONNECTION WITH THE ISSUE OR SALE OF ANY SECURITIES MAY OTHERWISE LAWFULLY BE COMMUNICATED OR CAUSED TO BE COMMUNICATED (ALL SUCH PERSONS TOGETHER BEING REFERRED TO AS “**RELEVANT PERSONS**”). THIS DOCUMENT IS DIRECTED ONLY AT RELEVANT PERSONS AND MUST NOT BE ACTED ON OR RELIED ON BY PERSONS WHO ARE NOT RELEVANT PERSONS. ANY INVESTMENT OR INVESTMENT ACTIVITY TO WHICH THIS DOCUMENT RELATES IS AVAILABLE ONLY TO RELEVANT PERSONS AND WILL BE ENGAGED IN ONLY WITH RELEVANT PERSONS. IN ITALY THIS DOCUMENT IS BEING DISTRIBUTED ONLY TO, AND IS DIRECTED AT QUALIFIED INVESTORS WITHIN THE MEANING OF ARTICLE 100 OF LEGISLATIVE DECREE NO. 58 OF 24 FEBRUARY 1998, AS AMENDED, AND ARTICLE 34-TER, PARAGRAPH 1, LETTER B), OF CONSOB REGULATION ON ISSUERS NO. 11971 OF MAY 14, 1999, AS SUBSEQUENTLY AMENDED (THE “**ISSUERS’ REGULATION**”) PROVIDED THAT SUCH QUALIFIED INVESTORS WILL ACT IN THEIR CAPACITY AND NOT AS DEPOSITARIES OR NOMINEES FOR OTHER SHAREHOLDERS, SUCH AS PERSONS AUTHORISED AND REGULATED TO OPERATE IN FINANCIAL MARKETS, BOTH ITALIAN AND FOREIGN, I.E.: A) BANKS; B) INVESTMENT FIRMS; C) OTHER AUTHORISED AND REGULATED FINANCIAL INSTITUTIONS; D) INSURANCE COMPANIES; E) COLLECTIVE INVESTMENT UNDERTAKINGS AND MANAGEMENT COMPANIES FOR SUCH UNDERTAKINGS; F) PENSION FUNDS AND MANAGEMENT COMPANIES FOR SUCH FUNDS; G) DEALERS ACTING ON THEIR OWN ACCOUNT ON COMMODITIES AND COMMODITY-BASED DERIVATIVES; H) PERSONS DEALING EXCLUSIVELY ON THEIR OWN ACCOUNT ON FINANCIAL INSTRUMENTS MARKETS WITH INDIRECT MEMBERSHIP OF CLEARING AND SETTLEMENT SERVICES AND THE LOCAL COMPENSATORY AND GUARANTEE SYSTEM; I) OTHER INSTITUTIONAL INVESTORS; L) STOCKBROKERS; (2) LARGE COMPANIES WHICH AT INDIVIDUAL COMPANY LEVEL MEET AT LEAST TWO OF THE FOLLOWING REQUIREMENTS: – BALANCE SHEET TOTAL: 20,000,000 EURO, – NET REVENUES: 40,000,000 EURO, – OWN FUNDS: 2,000,000 EURO; (3) INSTITUTIONAL INVESTORS WHOSE MAIN ACTIVITY IS INVESTMENT IN FINANCIAL INSTRUMENTS, INCLUDING COMPANIES DEDICATED TO THE SECURITISATION OF ASSETS AND OTHER FINANCIAL TRANSACTIONS (ALL SUCH PERSONS TOGETHER BEING REFERRED TO AS “**RELEVANT PERSONS**”). ANY PERSON WHO IS NOT A RELEVANT PERSON SHOULD NOT ACT OR RELY ON THIS DOCUMENT OR ANY OF ITS CONTENTS. THIS DOCUMENT IS NOT ADDRESSED TO ANY MEMBER OF THE GENERAL PUBLIC IN ITALY. UNDER NO CIRCUMSTANCES SHOULD THIS DOCUMENT CIRCULATE AMONG, OR BE DISTRIBUTED IN ITALY TO (I) A MEMBER OF THE GENERAL PUBLIC, (II) INDIVIDUALS OR ENTITIES FALLING OUTSIDE THE DEFINITION OF “QUALIFIED INVESTORS” AS SPECIFIED ABOVE OR (III) DISTRIBUTION CHANNELS THROUGH WHICH INFORMATION IS OR IS LIKELY TO BECOME AVAILABLE TO A LARGE NUMBER OF PERSONS. THIS DOCUMENT IS BEING DISTRIBUTED TO AND IS DIRECTED ONLY AT PERSONS IN MEMBER STATES OF THE EUROPEAN ECONOMIC AREA (“EEA”) WHO ARE “QUALIFIED INVESTORS” WITHIN THE MEANING OF ARTICLE 2(1)(E) OF THE PROSPECTUS DIRECTIVE (DIRECTIVE 2003/71/EC), (“**QUALIFIED INVESTORS**”). ANY PERSON IN THE EEA WHO RECEIVES THIS DOCUMENT WILL BE DEEMED TO HAVE REPRESENTED AND AGREED THAT IT IS A QUALIFIED INVESTOR. ANY SUCH RECIPIENT WILL ALSO BE DEEMED TO HAVE REPRESENTED AND AGREED THAT IT HAS NOT RECEIVED THIS DOCUMENT ON BEHALF OF PERSONS IN THE EEA OTHER THAN QUALIFIED INVESTORS OR PERSONS IN THE UK, ITALY AND OTHER MEMBER STATES (WHERE EQUIVALENT LEGISLATION EXISTS) FOR WHOM THE INVESTOR HAS AUTHORITY TO MAKE DECISIONS ON A WHOLLY DISCRETIONARY BASIS. THE COMPANY, VALUE TRACK S.R.L. AND THEIR AFFILIATES, AND OTHERS WILL RELY UPON THE TRUTH AND ACCURACY OF THE FOREGOING REPRESENTATIONS AND AGREEMENTS. ANY PERSON IN THE EEA WHO IS NOT A QUALIFIED INVESTOR SHOULD NOT ACT OR RELY ON THIS DOCUMENT OR ANY OF ITS CONTENTS. THE EXPRESSION “PROSPECTUS DIRECTIVE” MEANS DIRECTIVE 2003/71/EC (AND AMENDMENTS THERETO, INCLUDING THE 2010 PD AMENDING DIRECTIVE, TO THE EXTENT IMPLEMENTED IN THE RELEVANT MEMBER STATE), AND INCLUDES ANY RELEVANT IMPLEMENTING MEASURE IN THE RELEVANT MEMBER STATE AND THE EXPRESSION “2010 PD AMENDING DIRECTIVE” MEANS DIRECTIVE 2010/73/EU. **GROWENS SPA (THE “COMPANY”) IS A RESEARCH CLIENT OF VALUE TRACK S.R.L.** HOWEVER ANY FORECASTS, OPINIONS AND EXPECTATIONS CONTAINED HEREIN ARE ENTIRELY THOSE OF VALUE TRACK S.R.L. AND ARE GIVEN AS PART OF ITS NORMAL RESEARCH ACTIVITY AND SHOULD NOT BE RELIED UPON AS HAVING BEEN AUTHORISED OR APPROVED BY ANY OTHER PERSON. VALUE TRACK S.R.L. HAS NO AUTHORITY WHATSOEVER TO MAKE ANY REPRESENTATION OR WARRANTY ON BEHALF OF THE COMPANY, ITS SHAREHOLDERS, ANY OF ITS ADVISORS, OR ANY OTHER PERSON IN CONNECTION THEREWITH. WHILE ALL REASONABLE CARE HAS BEEN TAKEN TO ENSURE THAT THE FACTS STATED HEREIN ARE ACCURATE AND THAT THE FORECASTS, OPINIONS AND EXPECTATIONS CONTAINED HEREIN ARE FAIR AND REASONABLE, VALUE TRACK S.R.L. HAS NOT VERIFIED THE CONTENTS HEREOF AND ACCORDINGLY NONE OF VALUE TRACK S.R.L., THE COMPANY, ITS SHAREHOLDERS, ANY ADVISORS TO THE COMPANY OR ITS SHAREHOLDERS OR ANY OTHER PERSON IN CONNECTION THEREWITH NOR ANY OF THEIR RESPECTIVE DIRECTORS, OFFICERS OR EMPLOYEES, SHALL BE IN ANY WAY RESPONSIBLE FOR THE CONTENTS HEREOF AND NO RELIANCE SHOULD BE PLACED ON THE ACCURACY, FAIRNESS, OR COMPLETENESS OF THE INFORMATION CONTAINED IN THIS DOCUMENT. NO PERSON ACCEPTS ANY LIABILITY WHATSOEVER FOR ANY LOSS HOWSOEVER ARISING FROM THE USE OF THIS DOCUMENT OR OF ITS CONTENTS OR OTHERWISE ARISING IN CONNECTION THEREWITH. TO THE EXTENT PERMITTED BY LAW AND BY REGULATIONS, VALUE TRACK S.R.L. (OR ITS OFFICERS, DIRECTORS OR EMPLOYEES) MAY HAVE A POSITION IN THE SECURITIES OF (OR OPTIONS, WARRANTS OR RIGHTS WITH RESPECT TO, OR INTEREST IN THE SHARES OR OTHER SECURITIES OF) THE COMPANY AND MAY MAKE A MARKET OR ACT AS A PRINCIPAL IN ANY TRANSACTIONS IN SUCH SECURITIES.