

Italy – Marketing Technology

Sales grew double digit while margins declined

13th September 2022

H1-22 RESULTS RELEASE

RIC: GROWE.MI
BBG: GROW IM

Growens reported mixed H1-22 results: top line showed solid double-digit organic growth while margins were affected by decreasing gross profit with regard to the CPaaS division and some one-off costs stemming from the acquisition of Contactlab. The future strategy focuses on further developing BEE as well as integrating Contactlab by taking advantage of both cost and revenue synergies.

Rating:

Neutral (Buy)

Price Target:

€ 5.00 (€ 6.20)

Upside/(Downside): 4.4%

Last Price: € 4.79

Market Cap.: € 73.2m

1Y High/Low: € 5.48 / € 4.10

Avg. Daily Turn. (3M, 6M): € 19k, € 22k

Free Float: 34.9%

Major shareholders:

Nazzareno Gorni	10.4%
Alberto Miscia	10.4%
Matteo Monfredini	10.3%
Luca Azzali	10.0%
Matteo Bettoni	9.8%



Stock price performance

	1M	3M	12M
Absolute	-2.8%	8.4%	8.4%
Rel.to FTSE IT Growth	2.6%	8.9%	26.2%
Rel.to Peers median	11.4%	26.0%	78.6%

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New PT of € 5.00/s (€ 6.20) due to estimates cut and free-risk increase: Neutral (Buy)

Growens' H1-22 results were characterised by growing sales and a certain deterioration in margins. As a consequence, we have updated our model by factoring in: 1) a slight increase in sales growth, mainly with respect to BEE and Agile Telecom; 2) the consolidation of Contactlab for eight months (previously 12M); 3) Agile Telecom's lower-than-expected profitability; 4) the earn-out paid to Datatrics' selling shareholder. The combined result is an average 10.2% increase in Revenues and 21.9%, 54.4% and 56.1% decrease in EBITDA, EBIT and Net Profit, respectively, in 2022-24. Moreover, CFO SIM has updated the DCF valuation criteria, bringing the Free Risk Rate up-to-date. The combined result is a new PT of € 5.00/s (€ 6.20), almost aligned with current price levels. The limited upside to current price led us to downgrade our recommendation to Neutral (Buy). According to the new estimates, Growens is currently fairly priced on fundamentals. Nevertheless, further upside potential may arise from M&A: a possible target might be to enrich BEE's offer.

Top line at € 47m, up by 40% YoY. Recurring revenues were 27% of total

Total revenues soared by 40% YoY to € 47.2m, compared to € 33.7m in H1-21, thanks to organic growth to the tune of 35% coupled with the consolidation of Contactlab for two months (May-Jun). The SaaS division grew by 35% YoY (21% organically) while the CPaaS division soared by 44%. Foreign revenues grew by 70% YoY, representing 64% of total. Recurring revenues amounted to 27% of total, growing by 27% YoY (21% organically).

BEE and Agile Telecom drove top line growth

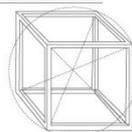
MailUp + Contactlab totalled € 10.6m, up by 29% YoY thanks to 7% organic growth coupled with the consolidation of Contactlab for two months. Agile Telecom rose by 43% YoY, reaching € 31.9m, driven by the acquisition of new strategic promising customers. Sales stemming from these new customers are characterised by a limited entry-level profitability due to commercial purposes. As a consequence, EBITDA of the BU declined by 34% to € 0.7m, 2.2% margin. BEE soared by 67% YoY, totalling € 4.0m, mainly thanks to increasing volumes. ARR amounted to \$ 10m as of Aug-22. Acumbamail totalled € 1.2m, up by 20% YoY. Datatrics declined by 8.5% YoY to € 1.2m, showing certain difficulties in returning to growth following the business reorganisation in 2021 as well as a persisting operating loss.

Margins declined because of a different revenue mix and some one-off costs

EBITDA declined by 40% YoY to € 1.4m, 2.9% margin (€ 2.4m, 7.1% margin in H1-21), mainly as a result of 1) a different revenue mix, namely higher sales stemming from the CPaaS division, characterised by lower profitability; 2) Datatrics' persisting operating loss; 3) increasing S&M costs related to BEE's development; and 4) higher G&A expenses, mainly due to one-off costs for the acquisition of Contactlab. After a slight increase in D&A, EBIT and Net Profit turned negative for € 1.0m and € 0.9m, respectively. Net cash declined to € 1.0m from € 6.5m at end-21, mainly because of the cash-out for the acquisition of Contactlab (€ 3.75m) coupled with € 1.2m absorbed by the increase in NWC.

Growens, key financials and ratios

€ m	2020	2021	2022e	2023e	2024e
Total Revenues	65.2	71.2	99.0	114.3	126.8
EBITDA	5.1	5.2	4.5	8.0	9.7
EBIT	1.4	1.1	(0.5)	2.9	4.7
Net profit	0.6	0.4	(0.3)	1.8	2.9
NFP (cash)/debt	(2.5)	(6.5)	(1.8)	(5.9)	(11.2)
EBITDA margin	7.8%	7.3%	4.6%	7.0%	7.6%
EBIT margin	2.1%	1.6%	-0.5%	2.6%	3.7%
EPS €	0.04	0.02	(0.02)	0.12	0.19
EPS growth	-50.9%	-34.8%	n.m.	n.m.	61.8%
Free Cash Flow Yield	2.7%	6.7%	-6.4%	5.5%	7.3%
PER x	n.m.	n.m.	n.m.	40.6	25.1
PCF x	16.8	15.2	15.7	10.7	9.3
EV/Sales x	1.06	0.86	0.72	0.59	0.49
EV/EBITDA x	13.6	11.7	15.7	8.4	6.4
EV/EBIT x	50.2	53.9	n.m.	23.0	13.2



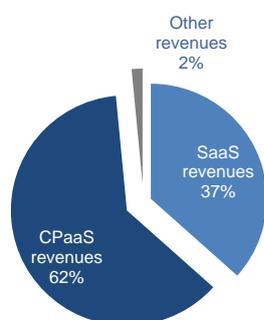
The Company at a Glance

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.

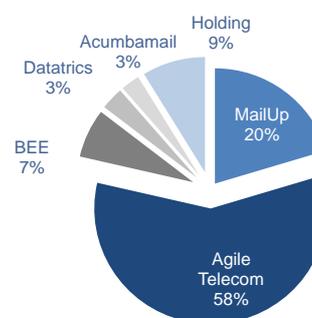
- The SaaS (Software-as-a-Service) division is characterised by subscription-based services supplied to customers via cloud platforms. It includes the following business units: MailUp + Contactlab, BEE, Datatrics and Acumbamail.
- The CPaaS (Communication-Platform-as-a-Service) division includes the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



Current shareholder structure

Shareholders	%	# m
Nazzareno Gorni	10.4%	1.61
Alberto Miscia	10.4%	1.61
Matteo Monfredini	10.3%	1.59
Luca Azzali	10.0%	1.55
Matteo Bettoni	9.8%	1.51
Pronti Gianluca	5.9%	0.91
BMC Holding B.V. *	6.6%	1.01
Ex Contactlab's shareholders *	1.2%	0.19
Treasury shares	0.3%	0.05
Free Float	34.9%	5.37
Total	100.0%	15.39

Source: Company data

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

Peer group absolute performance

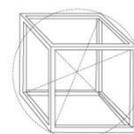
%	1D	1W	1M	3M	6M	YTD
dotDigital Group PLC	0.6	3.1	(10.4)	17.4	8.1	(54.9)
CM.com NV	7.1	9.3	(3.0)	(6.3)	(30.3)	(56.7)
Kaleyra Inc	(0.6)	(3.2)	(22.7)	(34.9)	(74.3)	(84.8)
Link Mobility Group Holding	4.3	3.4	(42.4)	(39.3)	(52.3)	(60.0)
Sinch AB (publ)	(0.4)	(3.2)	(24.2)	(54.4)	(75.9)	(84.6)
Mobile Messaging median	2.0	0.1	(23.5)	(37.1)	(63.3)	(72.3)
HubSpot Inc	0.2	5.6	(14.3)	13.0	(13.6)	(49.5)
Neosperience SpA	7.2	3.8	(8.9)	(17.7)	(30.9)	(42.2)
Predictive Marketing median	3.7	4.7	(11.6)	(2.3)	(22.3)	(45.8)
Growens SpA	3.0	(1.2)	(2.8)	8.4	0.6	(4.6)

Source: Thomson Reuters Eikon

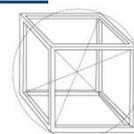
Peer group multiples table

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)	3.38	3.09	10.5	9.9	15.8	15.0	22.4	22.9
CM.com NV	1.15	0.99	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
Kaleyra Inc	0.62	0.52	8.0	6.2	n.m.	n.m.	n.m.	n.m.
Link Mobility Group Holding ASA	0.96	0.81	7.6	6.1	21.9	13.3	14.3	9.3
Sinch AB (publ)	0.87	0.71	9.3	6.4	26.7	12.6	120.1	14.3
Mobile Messaging median	0.92	0.76	8.0	6.2	24.3	13.0	67.2	11.8
HubSpot Inc	8.82	6.91	73.2	56.4	103.4	76.3	134.1	103.3
Neosperience SpA	1.98	1.37	6.1	4.5	24.1	12.0	43.6	19.4
Predictive Marketing median	5.40	4.14	39.6	30.4	63.7	44.1	88.9	61.3
Growens SpA	0.72	0.59	15.7	8.4	n.m.	23.0	n.m.	40.6

Sources: CFO SIM, Thomson Reuters Eikon



Income statement (€ m)	2020	2021	2022e	2023e	2024e
Total revenues	65.2	71.2	99.0	114.3	126.8
COGS	(43.9)	(47.4)	(70.3)	(77.7)	(85.0)
Gross Profit	21.4	23.8	28.7	36.6	41.9
Sales & Marketing	(6.4)	(7.3)	(10.4)	(11.7)	(12.7)
Research & Development	(2.9)	(3.2)	(4.5)	(5.1)	(5.7)
General costs	(7.0)	(8.1)	(9.3)	(11.8)	(13.8)
EBITDA	5.1	5.2	4.5	8.0	9.7
D&A	(3.7)	(4.1)	(5.0)	(5.0)	(5.0)
EBIT	1.4	1.1	(0.5)	2.9	4.7
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	(0.5)	2.9	4.6
Income taxes	(0.6)	(0.7)	0.2	(1.1)	(1.7)
Minorities	0.0	0.0	0.0	0.0	0.0
Net Profit	0.6	0.4	(0.3)	1.8	2.9
Net Profit adj.	0.6	0.4	(0.3)	1.8	2.9
Balance sheet (€ m)	2020	2021	2022e	2023e	2024e
Net Working Capital	(1.5)	(1.7)	0.9	1.2	1.2
Net Fixed Assets	27.1	26.9	29.6	27.6	25.6
Equity Investments	0.1	0.1	0.1	0.1	0.1
Other M/L Term A/L	(10.9)	(14.2)	(15.2)	(15.8)	(16.1)
Net Invested Capital	14.8	11.0	15.4	13.1	10.7
Net Financial Position	(2.5)	(6.5)	(1.8)	(5.9)	(11.2)
Minorities	0.0	0.0	0.0	0.0	0.0
Group's Shareholders Equity	17.3	17.5	17.2	19.0	21.9
Financial Liabilities & Equity	14.8	11.0	15.4	13.1	10.7
Cash Flow statement (€ m)	2020	2021	2022e	2023e	2024e
Total net income	0.6	0.4	(0.3)	1.8	2.9
Depreciation	3.7	4.1	5.0	5.0	5.0
Other non-cash charges	0.9	4.3	1.0	0.5	0.4
Cash Flow from Oper. (CFO)	5.2	8.7	5.6	7.4	8.3
Change in NWC	(0.2)	0.3	(2.6)	(0.3)	0.1
FCF from Operations (FCFO)	5.0	9.0	3.0	7.0	8.3
Net Investments (CFI)	(3.0)	(4.1)	(7.8)	(3.0)	(3.0)
Free CF to the Firm (FCFF)	2.0	4.9	(4.7)	4.0	5.3
CF from financials (CFF)	(1.0)	(1.4)	0.0	0.0	(0.0)
Free Cash Flow to Equity (FCFE)	0.9	3.5	(4.7)	4.0	5.3
Financial ratios	2020	2021	2022e	2023e	2024e
EBITDA margin	7.8%	7.3%	4.6%	7.0%	7.6%
EBIT margin	2.1%	1.6%	-0.5%	2.6%	3.7%
Net profit margin	0.9%	0.5%	-0.3%	1.6%	2.3%
Tax rate	53.0%	65.9%	37.0%	37.0%	37.0%
Op NWC/Sales	-2.3%	-2.4%	0.9%	1.1%	0.9%
Interest coverage x	0.13	0.04	(0.15)	0.02	0.01
Net Debt/EBITDA x	(0.49)	(1.25)	(0.40)	(0.74)	(1.16)
Debt-to-Equity x	(0.15)	(0.37)	(0.11)	(0.31)	(0.51)
ROIC	3.8%	3.3%	-2.1%	13.7%	27.2%
ROCE	5.1%	4.1%	n.m.	9.5%	13.6%
ROACE	5.1%	4.1%	-1.6%	9.9%	14.4%
ROE	3.3%	2.1%	-1.9%	9.5%	13.3%
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	15.39	15.39	15.39
Number of shares Fully Diluted # m	17.37	17.37	16.53	16.53	16.53
Average Number of shares Fully Diluted # m	17.37	17.37	16.95	16.53	16.53
EPS stated FD €	0.03	0.02	(0.02)	0.11	0.18
EPS adjusted FD €	0.03	0.02	(0.02)	0.11	0.18
EBITDA €	0.29	0.30	0.27	0.48	0.59
EBIT €	0.08	0.07	(0.03)	0.18	0.28
BV €	0.99	1.01	1.04	1.15	1.33
FCFO €	0.29	0.52	0.18	0.43	0.50
FCFF €	0.11	0.28	(0.28)	0.24	0.32
FCFE €	0.05	0.20	(0.28)	0.24	0.32
Dividend €	0.00	0.00	0.00	0.00	0.00



H1-22 Results

Growens reported 2022 interim results characterised by growing revenues and a certain deterioration in margins. Total revenues soared by 40% thanks to strong organic growth (+35%) driven by Agile Telecom and BEE business units, coupled with the consolidation of Contactlab as of May-22. Margins were affected by the declining profitability of the CPaaS division (i.e. Agile Telecom, SMS business) as a consequence of the decision to gain certain promising strategic customers with low entry-level profitability. Furthermore, H1-22 profitability was affected by some one-off costs linked to the acquisition of Contactlab.

Table 1 – Growens, H1-22 results

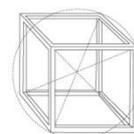
€ m	H1-22	H1-21	% YoY
SaaS Revenues	16.9	12.5	35.2
CPaaS Revenues	29.8	20.7	43.7
Other Revenues	0.5	0.5	
Total revenues	47.2	33.7	40.0
COGS	(33.5)	(22.1)	
Gross Profit	13.7	11.6	17.9
% margin	29.0	34.4	
Sales & Marketing	(4.8)	(3.3)	
Research & Development	(2.1)	(1.8)	
General costs	(5.4)	(4.0)	
EBITDA	1.4	2.4	(43.7)
% margin	2.9	7.1	
D&A	(2.4)	(1.9)	
EBIT	(1.0)	0.5	n.m.
% margin	(2.2)	1.4	
Financials	0.1	(0.0)	
Pre-Tax profit	(1.0)	0.4	n.m.
% margin	(2.0)	1.3	
Income taxes	0.0	(0.1)	
Tax rate	2.2%	32.8%	
Minorities	0.0	-	
Net Profit	(0.9)	0.3	n.m.
% margin	(2.0)	0.9	
Net Financial Position debt/(cash) *	(1.0)	(6.5)	84.4

Sources: Company data *compared to FY-21 NFP

In H1-22, **total revenues soared by 40% YoY to € 47.2m**, compared to € 33.7m in H1-21, thanks to **organic growth to the tune of 35%** coupled with the consolidation of Contactlab for two months, i.e. as of May-22. The SaaS division grew by 35% YoY (21% organically) while the CPaaS division soared by 44%. Foreign revenues grew by 70% YoY, representing 64% of total. **Recurring revenues amounted to 27% of total sales**, growing by 27% YoY (21% organically).

In terms of business units:

- **MailUp + Contactlab totalled € 10.6m, growing by 29% YoY** thanks to **7% organic growth** coupled with the consolidation of Contactlab for two months, which contributed for € 1.7m. Organic growth was driven by the recently-implemented product-led strategy and the development of the indirect channel abroad. EBITDA was affected by some one-off costs related to the acquisition of Contactlab.
- **Agile Telecom rose by 43% YoY, reaching € 31.9m**, driven by the acquisition of new strategic promising customers. Sales stemming from these new customers are characterised by a limited entry-level profitability due to commercial purposes. As a consequence, **EBITDA declined by 34% to € 0.7m, 2.2% margin**.
- **BEE soared by 67% YoY, totalling € 4.0m (\$ 4.3m)**, mainly thanks to increasing volumes. ARR amounted to \$ 10.0m as of the end of August 2022.



- **Acumbamail totalled € 1.2m, up by 20% YoY**, confirming its steady double-digit growth trend.
- **Datatrics declined by 8.5% YoY to € 1.2m**, showing certain difficulties in returning to growth following the business reorganisation in 2021 as well as a **persisting operating loss**. It is worth remembering that the earn-out to be paid to Datatrics' selling shareholder was recently reduced from € 3.0m (to be paid entirely in Growens' shares) to € 2.0m (paid half cash and half through newly-issued shares in July).

Gross Profit rose by 18% YoY to € 13.7m, 29.0% margin, compared to € 11.6m, 34.4% margin in H1-21. **The decline in gross margin was due to lower profitability with regard to the CPaaS division**, which was affected by the aforementioned sales to new strategic customers characterised by a low entry-level profitability.

EBITDA declined by 40% YoY to € 1.4m, 2.9% margin (vs € 2.4m, 7.1% margin in H1-21), mainly as a result of 1) a **different revenue mix**, namely higher sales stemming from the CPaaS division (i.e. Agile Telecom, SMS business), characterised by lower profitability; 2) **Datatrics' persisting operating loss**; 3) increasing sales & marketing costs related to **BEE's development**; and 4) higher general & administrative expenses, mainly due to **one-off costs stemming from the acquisition of Contactlab** (€ 0.3m).

As a consequence of the aforementioned reasons, coupled with a slight increase in D&A as a result of the consolidation of Contactlab, **EBIT turned negative for € 1.0m** (vs 0.5m in H1-21). **Net Profit was negative for € 0.9m**.

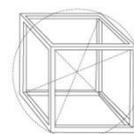
Net cash declined to € 1.0m from € 6.5m at the end of 2021, as a consequence of the cash-out for the acquisition of Contactlab (€ 3.75m) coupled with € 1.2m absorbed by the increase in NWC due to 1) rising receivables stemming from the consolidation of Contactlab, 2) the different collection/payment timing with regard to the Agile Telecom business unit as a consequence of the acquisition of certain promising strategic customers with low entry-level profitability; and 3) certain invoices collection postponed to H2, successfully collected at the beginning of July.

By excluding the right of use liabilities stemming from the adoption of IFRS16, Net cash stood at € 3.7m compared to € 9.8m at the end of 2021. Cash and cash equivalents amounted to € 9.8m, compared to € 13.3m at the end of 2021.

Table 2 – Growens, H1-22 results by business unit

€ m	H1-22	H1-21	% YoY
MailUp + Contactlab	10.6	8.2	28.9
Agile Telecom	31.9	22.3	43.4
BEE	4.0	2.4	67.2
Datatrics	1.2	1.3	(8.5)
Acumbamail	1.2	1.0	19.9
Holding	4.8	3.5	38.0
Consol. Adj.	(6.5)	(4.9)	
Total revenues	47.2	33.7	40.0
EBITDA MailUp + Contactlab	1.1	1.4	(21.1)
EBITDA Agile Telecom	0.7	1.1	(34.1)
EBITDA BEE	0.4	0.1	n.m.
EBITDA Datatrics	(0.9)	(0.4)	n.m.
EBITDA Acumbamail	0.2	0.2	(21.2)
EBITDA Holding	(0.3)	(0.2)	(45.6)
Consol. Adj.	0.1	0.2	
Total EBITDA	1.4	2.4	(43.7)
EBITDA % MailUp + Contactlab	10.7	17.4	
EBITDA % Agile Telecom	2.2	4.9	
EBITDA % BEE	9.7	5.8	
EBITDA % Datatrics	(72.5)	(31.3)	
EBITDA % Acumbamail	13.9	21.1	
EBITDA % Holding	(5.6)	(5.3)	
Total EBITDA %	2.9	7.1	

Sources: Company data



Estimates, Valuation & Risks

Growens reported mixed H1-22 results: top line showed a solid double-digit organic growth coupled with the consolidation of Contactlab for two months, while margins were affected by decreasing gross profit with regard to the CPaaS division as well as the persisting operating loss with regard to Datatrics and some one-off costs stemming from the acquisition of Contactlab.

Following the H1-22 results release **we have updated our model** in order to factor in: 1) a **slight increase in sales growth**, mainly driven by the excellent performance of BEE and Agile Telecom in H1; 2) the consolidation of Contactlab for eight months, while previously we anticipated the consolidation for the full year; 3) the **lower-than-expected profitability of the Agile Telecom business unit**; and 4) the payment of **€ 1.0m to Datatrics' selling shareholder as part of the earn-out**, which was recently reduced compared to the original agreement. **The combined result is an average 10.2% increase in Revenues and an average 21.9%, 54.4% and 56.1% decrease in EBITDA, EBIT and Net Profit, respectively, in 2022-24.**

Table 3 – Growens, 2022e new/old estimates

€ m	New	Old	% Diff.	€ m Diff.
Total Revenues	99.0	93.2	6.2	5.8
EBITDA	4.5	7.4	(38.8)	(2.9)
% margin	4.6	7.9		
EBIT	(0.5)	1.9	n.m.	(2.4)
% margin	(0.5)	2.1		
Net Profit	(0.3)	1.2	n.m.	(1.5)
% margin	(0.3)	1.3		
Y/E net debt (net cash)	(1.8)	(4.7)	(61.0)	2.8

Source: CFO SIM

Table 4 – Growens, 2023e new/old estimates

€ m	New	Old	% Diff.	€ m Diff.
Total Revenues	114.3	102.9	11.1	11.4
EBITDA	8.0	9.3	(14.4)	(1.3)
% margin	7.0	9.1		
EBIT	2.9	3.8	(23.5)	(0.9)
% margin	2.6	3.7		
Net Profit	1.8	2.4	(23.9)	(0.6)
% margin	1.6	2.3		
Y/E net debt (net cash)	(5.9)	(10.1)	(41.7)	4.2

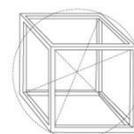
Source: CFO SIM

Table 5 – Growens, 2024e new/old estimates

€ m	New	Old	% Diff.	€ m Diff.
Total Revenues	126.8	112.0	13.2	14.8
EBITDA	9.7	11.1	(12.5)	(1.4)
% margin	7.6	9.9		
EBIT	4.7	5.6	(16.2)	(0.9)
% margin	3.7	5.0		
Net Profit	2.9	3.5	(16.4)	(0.6)
% margin	2.3	3.1		
Y/E net debt (net cash)	(11.2)	(16.0)	(29.9)	4.8

Source: CFO SIM

Moreover, CFO SIM has **updated the DCF valuation criteria**, bringing the Free Risk Rate up-to-date. The combined result is a **new PT of € 5.00/s** (€ 6.20), with an upside of 4.4% to current price levels. **The downgrade is due to the cut in estimates as well as to the significant increase in the Free Risk Rate** in the last weeks (the 200-day moving average of the 10Y Italian Government Bond yield is 2.46% vs 1.35% as of the latest valuation update).



The limited upside to current price levels led us to **downgrade our recommendation to Neutral** (Buy). According to the new projections, we believe Growens is currently fairly priced on fundamentals. Nevertheless, further upside potential may arise from M&A, as **the group's firepower remains significant**: a possible target might be to enrich BEE's offer.

We also updated our sum-of-the-parts valuation, resulting in Growens' equity value of € 5.50/s (€ 5.20/s).

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 6 - 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.)	2.46%
Beta levered (x)	0.47
Required ROE	6.7%

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. **Beta at 0.47** (previously 0.55) corresponds to Growens' 5Y levered beta (source: Thomson Reuters Eikon). The **risk-free rate at 2.46%** (previously 1.35%) 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.

Table 7 - Growens, DCF model

€ m	2022e	2023e	2024e	2025e	2026e	Term. Val.
EBIT	(0.5)	2.9	4.7	5.9	7.3	
Tax rate	37.0%	37.0%	37.0%	37.0%	37.0%	
Operating profit (NOPAT)	(0.3)	1.8	3.0	3.7	4.6	
Change working capital	(2.6)	(0.3)	0.1	0.0	(0.0)	
Depreciation	5.0	5.0	5.0	4.0	3.0	
Investments	(7.8)	(3.0)	(3.0)	(3.0)	(3.0)	
Free Cash Flows	(5.6)	3.5	5.0	4.7	4.6	90.2
Present value	(5.5)	3.3	4.3	3.8	3.5	68.3
WACC	6.7%	6.7%	6.7%	6.7%	6.7%	
Long-term growth rate	1.5%					

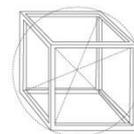
Source: CFO SIM

Table 8 – Growens, DCF derived from:

€ m	
Total EV present value € m	77.6
thereof terminal value	88%
NFP last reported - FY-21	6.5
Pension last reported - FY-21	(2.3)
Equity value € m	81.9
# m shares FD (excl. treasury shares)	16.5
Equity value €/s FD	5.00
% upside/(downside)	4.4%

Source: CFO SIM

By applying our DCF model we attained an equity value of € 81.9m, € 5.00/s (6.20), 4.4% upside, with regard to Growens.



It's worth noting that the fully diluted number of shares derives from the maximum number of shares associated with the stock option plan (1,136,209).

The following tables illustrate that sensitivity 1) compared to changes in the terminal growth rate produces an equity value between **€ 4.42-5.71/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 **€ 5.84-4.32/s (free-risk range between 3.21% and 1.71%)** and 3) if compared to changes in the risk premium, including small size premium, it results in an equity value of **€ 4.36-5.78/s (risk premium range between 10.50% and 7.50%)**.

Table 9 – 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	9.3	9.3	9.3	9.3	9.3	9.3	9.3
PV of terminal value	59.2	62.0	65.0	68.3	71.9	76.0	80.4
Total value	68.6	71.3	74.3	77.6	81.3	85.3	89.8
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	72.8	75.6	78.6	81.9	85.5	89.5	94.0
# m shares FD (excl. treasury shares)	16.5	16.5	16.5	16.5	16.5	16.5	16.5
Equity value €/s FD	4.42	4.59	4.77	5.00	5.19	5.43	5.71

Source: CFO SIM

Table 10 – Growens, equity value sensitivity to changes in free risk rate

€ m	1.71%	1.96%	2.21%	2.46%	2.71%	2.96%	3.21%
Present value of CF	9.6	9.5	9.4	9.3	9.2	9.1	9.0
PV of terminal value	82.3	77.1	72.5	68.3	64.5	61.1	57.9
Total value	91.9	86.7	81.9	77.6	73.8	70.2	67.0
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	96.2	90.9	86.2	81.9	78.0	74.5	71.2
# m shares FD (excl. treasury shares)	16.5	16.5	16.5	16.5	16.5	16.5	16.5
Equity value €/s FD	5.84	5.52	5.23	5.00	4.73	4.52	4.32

Source: CFO SIM

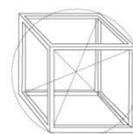
Table 11 – Growens, equity value sensitivity to changes in risk premium

€ m	7.50%	8.00%	8.50%	9.00%	9.50%	10.00%	10.50%
Present value of CF	9.6	9.5	9.4	9.3	9.2	9.2	9.1
PV of terminal value	81.3	76.6	72.2	68.3	64.7	61.5	58.5
Total value	90.9	86.1	81.7	77.6	74.0	70.6	67.5
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	95.2	90.3	85.9	81.9	78.2	74.9	71.8
# m shares FD (excl. treasury shares)	16.5	16.5	16.5	16.5	16.5	16.5	16.5
Equity value €/s FD	5.78	5.48	5.21	5.00	4.75	4.54	4.36

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 significant 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 12 – 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	305	75	24	32.1%	8.8%	5.6%	3.7%	3.7%	(2.1)
CM.com NV	Netherlands	346	305	(12)	n.m.	24.6%	n.m.	n.m.	n.m.	n.m.
Kaleyra Inc	USA	67	344	27	7.7%	23.9%	n.m.	11.6%	n.m.	5.5
Link Mobility Group Holding ASA	Norway	227	506	64	12.7%	12.3%	10.1%	9.6%	39.8%	4.1
Sinch AB (publ)	Sweden	1,385	2,621	245	9.3%	29.4%	58.0%	94.8%	258.9%	3.7
Mobile Messaging median		286	425	45	9.3%	24.3%	34.1%	11.6%	149.3%	4.1
HubSpot Inc	USA	15,807	1,694	204	12.1%	30.9%	n.m.	n.m.	37.0%	(4.3)
Neosperience SpA	Italy	29	18	6	32.4%	19.6%	17.6%	48.1%	110.9%	1.2
Predictive Marketing median		7,918	856	105	22.2%	25.2%	17.6%	48.1%	74.0%	(1.5)
Growens SpA	Italy	73	99	5	4.6%	21.2%	23.0%	60.7%	n.a.	(0.4)

Source: CFO SIM, Thomson Reuters Eikon

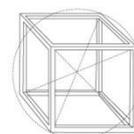


Table 13 – Growens, peer group EV multiple table

x	Sales FY1	Sales FY2	Sales FY3	EBITDA FY1	EBITDA FY2	EBITDA FY3
dotDigital Group PLC (Email Marketing)	3.38	3.09	2.71	10.5	9.9	8.8
CM.com NV	1.15	0.99	0.86	n.m.	n.m.	47.4
Kaleyra Inc	0.62	0.52	0.42	8.0	6.2	4.5
Link Mobility Group Holding ASA	0.96	0.81	0.65	7.6	6.1	4.6
Sinch AB (publ)	0.87	0.71	0.56	9.3	6.4	5.0
Mobile Messaging median	0.92	0.76	0.61	8.0	6.2	4.8
HubSpot Inc	8.82	6.91	5.50	73.2	56.4	40.5
Neosperience SpA	1.98	1.37	0.95	6.1	4.5	3.1
Predictive Marketing median	5.40	4.14	3.22	39.6	30.4	21.8
Growens SpA	0.72	0.59	0.49	15.7	8.4	6.4
% Prem./disc.) to dotDigital PLC	(78.7)	(80.9)	(82.0)	49.5	(14.7)	(27.5)
% Prem./disc.) to Mobile Messaging	(21.4)	(22.5)	(19.4)	97.3	37.1	33.1
% Prem./disc.) to Predictive Marketing	(86.7)	(85.8)	(84.8)	(60.3)	(72.3)	(70.6)

Source: CFO SIM, Thomson Reuters Eikon

Table 14 – 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)	15.8	15.0	13.5	22.4	22.9	20.9
CM.com NV	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
Kaleyra Inc	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
Link Mobility Group Holding ASA	21.9	13.3	9.7	14.3	9.3	7.3
Sinch AB (publ)	26.7	12.6	8.2	120.1	14.3	9.3
Mobile Messaging median	24.3	13.0	9.0	67.2	11.8	8.3
HubSpot Inc	103.4	76.3	51.9	134.1	103.3	71.5
Neosperience SpA	24.1	12.0	6.1	43.6	19.4	9.8
Predictive Marketing median	63.7	44.1	29.0	88.9	61.3	40.6
Growens SpA	n.m.	23.0	13.2	n.m.	40.6	25.1
% Prem./disc.) to dotDigital PLC	n.a.	53.5	(2.5)	n.a.	77.0	20.3
% Prem./disc.) to Mobile Messaging	n.a.	76.8	47.2	n.a.	243.9	200.9
% Prem./disc.) to Predictive Marketing	n.a.	(48.0)	(54.5)	n.a.	(33.9)	(38.3)

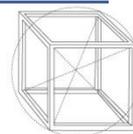
Source: CFO SIM, Thomson Reuters Eikon

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 4) 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 2023e figures** (previously 2022e), in order to factor in the first year of full consolidation of Contactlab. As a result, we attained a new equity value of € 5.50/s (€ 5.20).

Table 15 – Growens, Sum of the Parts equity value assessment

	€ m	% on EV	Methodology
MailUp + Contactlab BU	32.4	37.0	7.9x peer multiple on € 4.1m BU EBITDA 2023e
Acumbamail BU	5.1	5.9	7.9x peer multiple on € 0.6m BU EBITDA 2023e
BEE BU	29.0	33.1	2.5x peer multiple on € 11.7m BU Sales 2023e
Agile Telecom BU	12.1	13.9	4.9x peer multiple on € 2.5m BU EBITDA 2023e
Datatrics BU	9.0	10.2	3.3x peer multiple on € 2.7m BU Sales 2023e
Total EV	87.6	100.0	
Holding costs	(0.8)		Perpetuity of holding costs @ 6.7%
NFP	5.9		FY-23e Net Financial Position
Pension Provision	(2.3)		Pension last reported - FY-21
Equity Value	90.4		
Per share FD	5.50		
% upside/(downside)	14.8%		

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**, +149.5% 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 16 – Growens, peer group and index absolute performance

	1D	1W	1M	3M	6M	YTD	1Y
dotDigital Group PLC (Email Marketing)	0.6	3.1	(10.4)	17.4	8.1	(54.9)	(67.9)
CM.com NV	7.1	9.3	(3.0)	(6.3)	(30.3)	(56.7)	(70.3)
Kaleyra Inc	(0.6)	(3.2)	(22.7)	(34.9)	(74.3)	(84.8)	(86.8)
Link Mobility Group Holding ASA	4.3	3.4	(42.4)	(39.3)	(52.3)	(60.0)	(80.2)
Sinch AB (publ)	(0.4)	(3.2)	(24.2)	(54.4)	(75.9)	(84.6)	(90.5)
Mobile Messaging median	2.0	0.1	(23.5)	(37.1)	(63.3)	(72.3)	(83.5)
HubSpot Inc	0.2	5.6	(14.3)	13.0	(13.6)	(49.5)	(50.3)
Neosperience SpA	7.2	3.8	(8.9)	(17.7)	(30.9)	(42.2)	(48.6)
Predictive Marketing median	3.7	4.7	(11.6)	(2.3)	(22.3)	(45.8)	(49.5)
Growens SpA	3.0	(1.2)	(2.8)	8.4	0.6	(4.6)	8.4
MSCI World Index	1.3	4.7	(4.3)	6.8	(3.8)	(15.9)	(12.9)
EUROSTOXX	2.0	4.5	(3.5)	2.9	(3.1)	(15.7)	(13.6)
FTSE Italia All Share	2.2	5.0	(2.1)	2.7	(3.9)	(17.8)	(13.0)
FTSE Italia STAR	1.3	2.5	(8.4)	0.7	(13.9)	(29.5)	(26.7)
FTSE Italia Growth	0.3	1.2	(5.5)	(0.5)	(6.5)	(18.8)	(17.8)

Table 17 – Growens relative performances

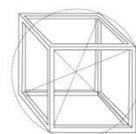
	1D	1W	1M	3M	6M	YTD	1Y
To dotDigital Group PLC	2.4	(4.4)	7.5	(9.0)	(7.5)	50.3	76.2
To peer Mobile Messaging median	1.1	(1.3)	20.6	45.5	63.9	67.7	91.9
To peer Predictive Marketing median	(0.7)	(6.0)	8.8	10.7	22.9	41.3	57.8
To MSCI World Index	1.7	(5.9)	1.5	1.5	4.4	11.3	21.3
To EUROSTOXX	1.0	(5.7)	0.7	5.5	3.7	11.2	22.0
To FTSE Italia All Share	0.8	(6.3)	(0.8)	5.7	4.6	13.2	21.4
To FTSE Italia STAR	1.7	(3.8)	5.6	7.7	14.5	24.9	35.0
To FTSE Italia Growth	2.7	(2.4)	2.6	8.9	7.1	14.2	26.2

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

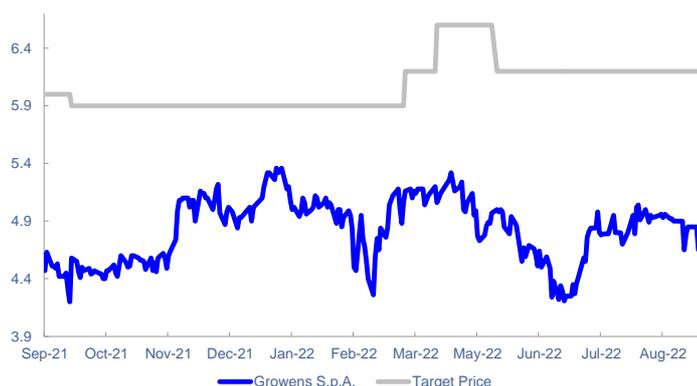
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DATE	TARGET PRICE	RATING
13/09/2022	€5.00	NEUTRAL
12/07/2022	€6.20	BUY
16/05/2022	€6.20	BUY
12/04/2022	€6.60	BUY
25/03/2022	€6.20	BUY
11/11/2021	€5.90	BUY
17/09/2021	€5.90	BUY

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RATING SYSTEM

- 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.

