

Italy – Marketing Technology

Q1 results confirm the focus on BEE's development

10th May 2023

Q1-23 RESULTS RELEASE

RIC: GROWE.MI
BBG: GROW IM

Q1-23 figures showed that the group's focus is now on BEE, the most innovative and fastest growing business unit of Growens. The group started to increase R&D investments in order to develop innovative features and consequently sustain BEE's growth. The cash-in stemming from the sale of ESP business, expected by the end of June, will definitely speed up this process.

Rating:

Buy

Price Target:

€ 7.50

Upside/(Downside): 35.9%

Last Price: € 5.52

Market Cap.: € 85.3m

1Y High/Low: € 6.60 / € 3.71

Avg. Daily Turn. (3M, 6M): € 189k, € 142k

Free Float: 36.4%

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	-15.1%	3.0%	15.5%
Rel.to FTSE IT Growth	-11.7%	8.8%	19.3%
Rel.to Peers median	-19.0%	12.1%	41.9%

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Focus on BEE waiting for the closing of the ESP business' sale

Growens reported Q1-23 results showing increasing revenues and gross profit but declining EBITDA. In light of the sale of the Email Service Provider business, the group started to focus on BEE's development, significantly increasing R&D investments. Now Growens' goal is to considerably accelerate the development of BEE both organically and through strategic M&A deals. Q1-23 figures still include the ESP business, namely the MailUp + Contactlab and Acumbamail BUs, which are expected to be deconsolidated after the completion of the transaction (likely by the end of Jun-23). Estimates, rating and PT confirmed.

Revenues up by 14% (+3% organic). BEE rose by 25% to € 2.4m (ARR almost \$ 11m)

In Q1-23, total revenues were up by 14% YoY (+3% organically), reaching € 24.2m, compared to € 21.2m in Q1-22. It is worth remembering that in Q1-22, Contactlab was not consolidated, as it was included in the consolidation scope as from May-22. The SaaS division soared by 39% YoY to € 10.2m, while the CPaaS division remained broadly stable compared to Q1-22. Consolidated recurring revenues rose by 23% YoY to € 7.2m, representing more than 30% of total turnover. Foreign sales represented 63% of total, growing by 14% YoY. Looking at Q1-23 results in terms of business units: MailUp + Contactlab soared by 57% YoY to € 6.7m, mainly as a result of the consolidation of Contactlab, consolidated as from Q2 in 2022. Organically, the business unit grew by 1% YoY. Agile Telecom totalled € 14.9m, compared to € 14.7m in Q1-22, as the group focused more on increasing profitability rather than sales growth. As a result, EBITDA margin increased by 50bps YoY. BEE confirmed itself as the fastest growing business unit within the group, rising by 25% YoY to € 2.4m, thanks to increasing volumes. ARR amounted to \$ 10.8m as of the end of Mar-23. Datatrics declined by 11% YoY to € 0.6m. Acumbamail grew by 14% YoY to € 0.6m, with EBITDA margin at 19.9% up from 18.3% in Q1-22.

Rising gross profit but declining EBITDA in light of strong R&D investments in BEE

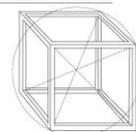
Gross profit grew by 24.3% YoY to € 7.8m, 32.2% margin (€ 6.3m, 29.6% margin, in Q1-22). Nevertheless, EBITDA declined by 27.5% YoY to € 0.8m, 3.3% margin (€ 1.1m, 5.2% margin, in Q1-22) because of the increasing investment in R&D (overall up by 65% YoY, while up by 37% those expensed in the P&L as operating expenses) aimed at boosting BEE's development, as well as higher general & administrative expenses stemming from advisory and execution costs for the sale of the Email Service Provider business. Pre-tax loss came to € 0.8m, compared to a pre-tax profit of € 34k in Q1-22.

NFP at € 1.1m debt (€ 1.2m cash by excluding the IFRS16 effect)

Net Financial Position was € 1.1m debt, compared to € 0.1m cash at year-end 2022, as a consequence of 1) the early settlement of the first instalment of Contactlab's earn-out, as part of the sale of the Email Service Provider business, financed via a short-term loan, as well as 2) indirect cash pooling policies relying on Agile Telecom liquidity facilities. NFP excluding the IFRS16 effect was € 1.2m cash (€ 2.4m cash at year-end 2022).

Growens, key financials and ratios

€ m	2021	2022	2023e	2024e	2025e
Total Revenues	71.2	103.4	104.8	99.7	110.8
EBITDA	5.2	4.1	4.7	3.2	4.3
EBIT	1.1	(2.8)	(0.0)	(0.5)	0.7
Net profit	0.4	(2.6)	59.8	(0.5)	0.2
NFP (cash)/debt	(6.5)	(0.1)	(67.0)	(67.5)	(68.4)
EBITDA margin	7.3%	4.0%	4.5%	3.2%	3.9%
EBIT margin	1.6%	-2.8%	0.0%	-0.5%	0.6%
EPS €	0.02	(0.17)	3.87	(0.03)	0.02
EPS growth	-38.0%	n.m.	n.m.	n.m.	n.m.
Free Cash Flow Yield	5.7%	-7.1%	-3.6%	0.6%	1.1%
PER x	n.m.	n.m.	n.m.	n.m.	n.m.
PCF x	15.3	16.3	n.m.	26.7	21.8
EV/Sales x	0.86	0.68	0.18	0.18	0.15
EV/EBITDA x	11.7	17.2	3.9	5.6	3.9
EV/EBIT x	53.9	n.m.	n.m.	n.m.	25.1



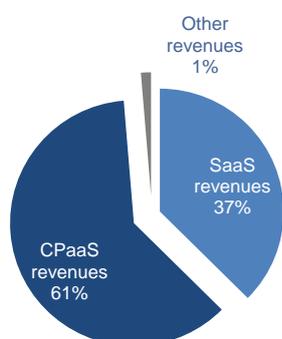
The company at a glance

Founded in Cremona (Italy) in 2002 as an email service provider (i.e. the original business MailUp), Growens is now a leading international player in the Global Cloud Marketing Technologies market, one of the fastest growing industries worldwide. Its suite of SaaS and CPaaS solutions allows SMEs and large corporations to master the evolving ways of communicating with customers. 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.

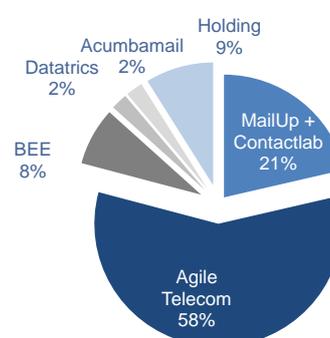
The group has been on a significant growth path since its establishment: set up as a start-up in 2002, the group has constantly grown both organically and via M&A, peaking with the launch of innovative products such as BEEfree.io.

Growens closed FY-22 with revenues of € 103.4m, EBITDA of € 4.1m, 4.0% margin and over 400 employees. Net Financial Position was € 0.1m cash. Since the IPO in 2014 the group's revenues increased by a CAGR₁₃₋₂₂ of 34.4%, thanks to organic growth boosted by a few acquisitions. Foreign sales were 65% of total FY-22 revenues.

2022 breakdown by business division...



... and by business unit



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. *	5.0%	0.77
Ex Contactlab's shareholders **	1.2%	0.19
Treasury shares	0.4%	0.06
Free Float	36.4%	5.60
Total	100.0%	15.39

Source: Company data

* 710,017 of which subject to lock-up (does not enter the free float)

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Peer group absolute performance

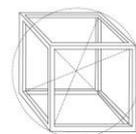
%	1D	1W	1M	3M	6M	YTD
dotDigital Group PLC	0.0	4.4	1.2	(9.1)	31.6	11.1
HubSpot Inc	0.6	8.0	9.5	21.2	63.2	54.9
Neosperience SpA	4.6	0.0	(14.1)	(4.2)	26.6	4.6
SaaS Marketing median	0.6	4.4	1.2	(4.2)	31.6	11.1
CM.com NV	(2.9)	(7.8)	3.9	(30.4)	(28.8)	(21.0)
Kaleyra Inc	4.1	7.9	7.3	(58.5)	(17.1)	(33.0)
Link Mobility Group Holding	1.9	3.2	11.3	(1.7)	8.9	27.3
Sinch AB (publ)	(1.0)	1.4	(10.1)	(47.5)	(39.1)	(39.6)
Mobile Messaging median	0.5	2.3	5.6	(39.0)	(23.0)	(27.0)
Growens SpA	(1.8)	(3.5)	(15.1)	3.0	29.3	28.7

Source: Refinitiv Eikon

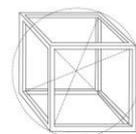
Peer group multiples table

Price & EV multiples x	SALES FY1	SALES FY2	EBITDA FY1	EBITDA FY2	EBIT FY1	EBIT FY2	PER FY1	PER FY2
dotDigital Group PLC	3.44	3.06	10.4	9.3	16.0	14.3	22.5	21.2
HubSpot Inc	10.23	8.23	60.8	46.6	78.2	56.6	89.1	68.7
Neosperience SpA	1.85	1.65	6.9	5.7	22.7	15.2	50.4	27.1
SaaS Marketing median	3.44	3.06	10.4	9.3	22.7	15.2	50.4	27.1
CM.com NV	1.05	0.91	n.m.	34.4	n.m.	n.m.	n.m.	n.m.
Kaleyra Inc	0.47	0.43	7.4	6.1	n.m.	n.m.	n.m.	n.a.
Link Mobility Group Holding ASA	0.95	0.83	7.1	6.3	15.7	12.8	11.4	10.3
Sinch AB (publ)	0.93	0.79	8.0	6.4	22.8	12.3	56.4	18.6
Mobile Messaging median	0.94	0.81	7.4	6.4	19.3	12.5	33.9	14.5
Growens SpA	0.18	0.18	3.9	5.6	n.m.	n.m.	n.m.	n.m.

Sources: CFO SIM, Refinitiv Eikon



Income statement (€ m)	2021	2022	2023e	2024e	2025e
Total revenues	71.2	103.4	104.8	99.7	110.8
COGS	(47.4)	(72.5)	(75.5)	(71.8)	(79.8)
Gross Profit	23.8	30.8	29.4	27.9	31.0
Sales & Marketing	(7.3)	(10.0)	(10.5)	(10.0)	(11.1)
Research & Development	(3.2)	(4.5)	(4.7)	(4.5)	(5.0)
General costs	(8.1)	(12.2)	(9.5)	(10.3)	(10.6)
EBITDA	5.2	4.1	4.7	3.2	4.3
D&A	(4.1)	(6.9)	(4.7)	(3.7)	(3.7)
EBIT	1.1	(2.8)	(0.0)	(0.5)	0.7
Financials	(0.0)	(0.3)	(0.3)	(0.3)	(0.3)
Re/(Devaluation) of financial assets	0.0	0.0	0.0	0.0	0.0
Extraordinary	0.0	0.0	60.0	0.0	0.0
Pre-Tax profit	1.1	(3.1)	59.7	(0.8)	0.4
Income taxes	(0.7)	0.6	0.1	0.3	(0.1)
Minorities	(0.0)	(0.0)	0.0	0.0	0.0
Net Profit	0.4	(2.6)	59.8	(0.5)	0.2
Net Profit adj.	0.4	(2.6)	(0.2)	(0.5)	0.2
Balance sheet (€ m)	2021	2022	2023e	2024e	2025e
Net Working Capital	(1.7)	1.8	3.4	1.4	1.7
Net Fixed Assets	26.9	31.8	22.1	21.4	20.7
Equity Investments	0.1	0.3	0.3	0.3	0.3
Other M/L Term A/L	(14.3)	(17.0)	(15.9)	(14.2)	(14.5)
Net Invested Capital	11.0	17.0	9.9	8.9	8.2
Net Financial Position	(6.5)	(0.1)	(67.0)	(67.5)	(68.4)
Minorities	(0.0)	(0.1)	(0.1)	(0.1)	(0.1)
Group's Shareholders Equity	17.5	17.1	76.9	76.4	76.6
Financial Liabilities & Equity	11.0	17.0	9.9	8.9	8.2
Cash Flow statement (€ m)	2021	2022	2023e	2024e	2025e
Total net income	0.4	(2.6)	(2.2)	(0.5)	0.2
Depreciation	4.1	6.9	4.7	3.7	3.7
Other non-cash charges	4.3	2.0	(1.1)	(1.7)	0.3
Cash Flow from Oper. (CFO)	8.7	6.3	1.4	1.5	4.2
Change in NWC	0.3	(3.6)	(1.5)	2.0	(0.3)
FCF from Operations (FCFO)	9.0	2.7	(0.1)	3.5	3.9
Net Investments (CFI)	(4.1)	(8.8)	67.0	(3.0)	(3.0)
Free CF to the Firm (FCFF)	4.9	(6.1)	66.9	0.5	0.9
CF from financials (CFF)	(1.4)	(0.1)	0.0	0.0	(0.0)
Free Cash Flow to Equity (FCFE)	3.5	(6.2)	66.9	0.5	0.9
Financial ratios	2021	2022	2023e	2024e	2025e
EBITDA margin	7.3%	4.0%	4.5%	3.2%	3.9%
EBIT margin	1.6%	-2.8%	0.0%	-0.5%	0.6%
Net profit margin	0.5%	-2.5%	57.0%	-0.5%	0.2%
Tax rate	65.9%	17.8%	n.m.	37.0%	37.0%
Op NWC/Sales	-2.4%	1.8%	3.2%	1.4%	1.5%
Interest coverage x	0.04	(0.10)	(6.29)	(0.57)	0.42
Net Debt/EBITDA x	(1.25)	(0.02)	(14.27)	(21.14)	(15.73)
Debt-to-Equity x	(0.37)	(0.00)	(0.87)	(0.88)	(0.89)
ROIC	3.2%	-15.4%	n.m.	-5.6%	3.0%
ROCE	4.1%	n.m.	n.m.	n.m.	0.8%
ROACE	4.1%	-10.0%	-0.1%	-0.6%	0.8%
ROE	2.0%	-15.3%	n.m.	-0.6%	0.3%
Payout ratio	0.0%	0.0%	0.0%	0.0%	0.0%
Per share figures	2021	2022	2023e	2024e	2025e
Number of shares # m	14.97	15.39	15.39	15.39	15.39
Number of shares Fully Diluted # m	17.37	16.53	16.53	16.53	16.53
Average Number of shares Fully Diluted # m	17.37	16.95	16.53	16.53	16.53
EPS stated FD €	0.02	(0.15)	3.62	(0.03)	0.01
EPS adjusted FD €	0.02	(0.15)	(0.01)	(0.03)	0.01
EBITDA €	0.30	0.24	0.28	0.19	0.26
EBIT €	0.07	(0.17)	(0.00)	(0.03)	0.04
BV €	1.01	1.03	4.65	4.62	4.63
FCFO €	0.52	0.16	(0.01)	0.21	0.24
FCFF €	0.28	(0.36)	4.05	0.03	0.06
FCFE €	0.20	(0.36)	4.05	0.03	0.06
Dividend €	0.00	0.00	0.00	0.00	0.00



Q1-23 Results

Growens reported Q1-23 results showing increasing revenues and gross profit but declining EBITDA. In particular, in light of the sale of the Email Service Provider business, the group started to focus on BEE's development, significantly increasing R&D investments. Now Growens' goal is to considerably accelerate the development of BEE both organically and through strategic M&A deals.

Q1-23 figures still include the Email Service Provider business, namely MailUp + Contactlab and Acumbamail business units, which are expected to be deconsolidated after the closing of the transaction (likely by the end of Jun-23).

Table 1 – Growens, Q1-23 results

€ m	Q1-23	Q1-22	% YoY
SaaS Revenues	10.2	7.4	38.8
CPaaS Revenues	13.8	13.7	0.3
Other revenues	0.2	0.1	72.6
Total revenues	24.2	21.2	14.0
Gross Profit	7.8	6.3	24.3
% margin	32.2	29.6	
EBITDA	0.8	1.1	(27.5)
% margin	3.3	5.2	
Pre-tax Profit	(0.8)	0.0	n.m.
% margin	(3.5)	0.2	
NFP (cash)/debt *	1.1	(0.1)	n.m.

Sources: Company data *compared to FY-22 NFP

In Q1-23, **total revenues were up by 14.0% YoY (+3.0% organically), reaching € 24.2m**, compared to € 21.2m in Q1-22. It is worth remembering that in Q1-22, Contactlab was not consolidated, as it was included in the consolidation scope as from May-22. The **SaaS division soared by 38.8% YoY to € 10.2m**, while the **CPaaS division remained broadly stable** compared to Q1-22 (+0.3% YoY).

Consolidated **recurring revenues rose by 23% YoY to € 7.2m**, representing more than 30% of total turnover. Foreign sales represented 63% of the total, growing by 14% YoY.

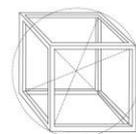
Gross profit grew by 24.3% YoY to € 7.8m, 32.2% margin (€ 6.3m, 29.6% margin, in Q1-22). Nevertheless, **EBITDA declined by 27.5% YoY to € 0.8m, 3.3% margin** (€ 1.1m, 5.2% margin, in Q1-22) because of increasing investment in R&D (overall up by 65% YoY, while up by 37% those expensed in the P&L as operating expenses) aimed at boosting BEE's development, as well as higher general & administrative expenses stemming from advisory and execution costs for the sale of the Email Service Provider business. Pre-tax loss came in at € 0.8m, compared to a pre-tax profit of € 34k in Q1-22.

Net Financial Position was € 1.1m debt, compared to € 0.1m cash at year-end 2022, as a consequence of 1) the early settlement of the first instalment of Contactlab's earn-out, as part of the sale of the Email Service Provider business, financed via a short-term loan, as well as 2) indirect cash pooling policies relying on Agile Telecom liquidity facilities. NFP excluding the IFRS16 effect was € 1.2m cash (€ 2.4m cash at year-end 2022).

Table 2 – Growens, Q1-23 revenues breakdown by business unit

€ m	Q1-23	Q1-22	% YoY
MailUp + Contactlab	6.7	4.3	56.5
Agile Telecom	14.9	14.7	1.3
BEE	2.4	1.9	25.2
Datatics	0.6	0.6	(10.9)
Acumbamail	0.6	0.5	13.6
Holding	2.6	2.0	30.4
Consol. Adj.	(3.6)	(2.9)	(26.3)
Total revenues	24.2	21.2	14.0

Sources: Company data, CFO SIM estimates



Looking at Q1-23 results in terms of business units:

- **MailUp + Contactlab soared by 56.5% YoY to € 6.7m**, mainly as a result of the consolidation of Contactlab, consolidated as from Q2-22. Organically, the business unit grew by 1% YoY.
- **Agile Telecom totalled € 14.9m**, compared to € 14.7m in Q1-22, as the group focused more on increasing profitability rather than sales growth. As a result, **EBITDA margin increased by 50bps YoY**.
- **BEE** confirmed itself as the fastest growing business unit within the group, **rising by 25.2% YoY to € 2.4m**, thanks to increasing volumes. ARR amounted to \$ 10.8m as of the end of Mar-23.
- **Datatricks declined by 10.9% YoY to € 0.6m**.
- **Acumbamail grew by 13.6% YoY to € 0.6m**, with EBITDA margin at 19.9% up from 18.3% in Q1-22.

Table 3 – Growens, Q1-23 EBITDA breakdown by business unit

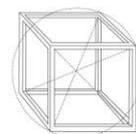
€ m	Q1-23	Q1-22	% YoY
EBITDA MailUp + Contactlab	0.2	0.6	(61.3)
EBITDA Agile Telecom	0.5	0.4	15.6
EBITDA BEE	0.2	0.3	(34.5)
EBITDA Datatricks	(0.3)	(0.4)	23.6
EBITDA Acumbamail	0.1	0.1	23.2
EBITDA Holding	(0.0)	(0.0)	(8.7)
Consol. Adj.	0.1	0.1	10.5
Total EBITDA	0.8	1.1	(27.5)
EBITDA % MailUp + Contactlab	3.7	14.9	
EBITDA % Agile Telecom	3.5	3.0	
EBITDA % BEE	8.6	16.5	
EBITDA % Datatricks	(59.9)	(69.8)	
EBITDA % Acumbamail	19.9	18.3	
EBITDA % Holding	(1.0)	(1.2)	
Total EBITDA %	3.3	5.2	

Sources: Company data, CFO SIM estimates

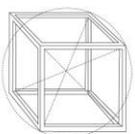
Table 4 – Growens, SaaS division's KPIs

KPIs - SaaS	MailUp + Contactlab	Datatricks	Acumbamail	BEE	Date
ARR	€ 15.0m	€ 2.1m	€ 2.2m	\$ 10.8m	Mar-23
ARR growth	29%	-8%	15%	23%	Mar-23
Gross margin	58%	46%	87%	72%	FY-22
EBITDA margin	4%	-60%	20%	9%	Q1-23
Net Revenue Retention	94%	78%	91%	97%	Mar-23

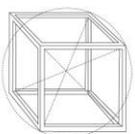
Sources: Company data



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DATE	TARGET PRICE	RATING
10/05/2023	€7.50	BUY
03/04/2023	€7.50	BUY
06/02/2023	U.R.	U.R.
11/01/2023	€5.00	NEUTRAL
11/11/2022	€5.00	NEUTRAL
13/09/2022	€5.00	NEUTRAL
12/07/2022	€6.20	BUY
16/05/2022	€6.20	BUY
12/04/2022	€6.60	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.

