

Growens

Sector: Marketing Technology



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Stop loss on Datatrics

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.

Datatrics disposal: Terms of the deal

Growens has just announced the signing of a binding agreement for the sale of 100% of the share capital of Datatrics to Squeezely BV (a subsidiary of marketing automation player Spotler group active in the Netherlands and United Kingdom), for a total €1.66mn consideration which will be paid in cash at closing, tentatively expected by the end of October 2023. The Transaction implies Growens waiving approximately €7mn of intercompany loans versus Datatrics.

Rationales of the deal

Datatrics was losing money and turnaround has proved difficult to be achieved. Main rationales for the deal are:

- ◆ Halting the loss stream of the Datatrics Business Unit;
- ◆ Carving out a subsidiary with limited potential for synergies after the Email Service Provider (ESP) sale;
- ◆ Focusing efforts, energy, and financial resources on Beefree, the Business Unit with the highest growth potential.

Impact on Growens financials

At Parent Company's P&L level the deal implies a ca. €9.7mn non-monetary capital loss mostly due to the waiver of the €7mn intercompany loan, and residually due to the difference between Datatrics carrying value and the agreed selling price. This capital loss is more than offset by the capital gain related to the recently finalized ESP business disposal. As far as the impact on the Group's Net Financial Position is concerned, we estimate some €1.3mn-€1.5mn impact net of transaction costs as Datatrics had almost entirely burnt the intercompany loans provided by the Parent Company.

What's next?

We expect the voluntary partial purchase offer on max 2.65mn Growens ordinary shares at €6.80 unitary price, (maximum €18mn total consideration) to take place between end of October and early November.

Once finalized the PTO the focus should get back on Beefree business development, either organic and via the acquisition of some kind of revenue accelerating asset. We do not rule out the disposal of Agile Telecom.

Fair value update

Taking into account the impact of the additional cash in, Growens' Sum-of-the-Parts based fair value now stands at €7.05 per share (from €7.00).

Fair Value (€) **7.05**

Market Price (€)(*) **6.58**

Market Cap. (€m)(*) **101.3**

| KEY FINANCIALS (€m) | 2023PFE | 2024E | 2025E |
|---------------------|---------|-------|-------|
| REVENUES | 79.8 | 89.8 | 102.7 |
| EBITDA | 1.1 | 1.4 | 2.1 |
| EBIT | -0.7 | -0.4 | 0.1 |
| NET PROFIT | 67.2 | 0.0 | 0.5 |
| EQUITY | 74.8 | 74.8 | 75.2 |
| NET CASH POS. | 51.7 | 48.3 | 46.7 |
| EPS ADJ. (€) | -0.04 | 0.00 | 0.03 |
| DPS (€) | 0.00 | 0.00 | 0.00 |

Source: Growens (historical figures), Value Track (2023PFE-25E estimates)

| KEY FINANCIALS (€m) | 2023PFE | 2024E | 2025E |
|-----------------------|---------|-------|-------|
| EBITDA MARGIN (%) | 1.4 | 1.6 | 2.1 |
| EBIT MARGIN (%) | nm | nm | 0.1 |
| NET DEBT / EBITDA (x) | nm | nm | nm |
| NET DEBT / EQUITY (x) | nm | nm | nm |
| EV/SALES (x)(*) | 0.7 | 0.6 | 0.5 |
| EV/EBITDA (x)(*) | 46.6 | 38.0 | 26.5 |
| EV/EBIT (x).(*) | nm | nm | nm |
| P/E ADJ. (x)(*) | nm | nm | nm |

Source: Growens (historical figures), Value Track (2023PFE-25E estimates)

STOCK DATA

| | |
|---------------------|-------------------|
| FAIR VALUE (€) | 7.05 |
| MARKET PRICE (€)(*) | 6.58 |
| SHS. OUT. (m) | 15.4 |
| MARKET CAP. (€m)(*) | 101.3 |
| FREE FLOAT (%) | 42.6 |
| AVG. -20D VOL. (#) | 29,110 |
| RIC / BBG | GROW.MI / GROW IM |
| 52 WK RANGE | 3.71-6.68 |

Source: Stock Market Data

(*) Prices as of October 09th market open

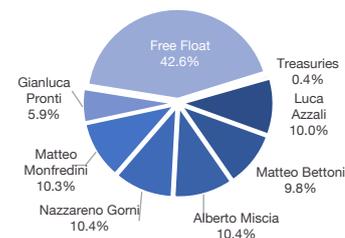


Business Description

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 mobile text messages (for both transactional and marketing purposes), email editing support, Predictive Marketing Customer Data Platform.

Shareholders Structure



Source: Growens SpA

Key Financials

| €mn | 2023PFE | 2024E | 2025E |
|----------------------------|-------------|-------------|--------------|
| Total Revenues | 79.8 | 89.8 | 102.7 |
| Chg. % YoY | -22.8% | 12.5% | 14.5% |
| EBITDA | 1.1 | 1.4 | 2.1 |
| EBITDA Margin (%) | 1.4% | 1.6% | 2.1% |
| EBIT | -0.7 | -0.4 | 0.1 |
| EBIT Margin (%) | -0.9% | -0.4% | 0.1% |
| Net Profit | 57.7 | 0.0 | 0.5 |
| Chg. % YoY | nm | nm | nm |
| Adjusted Net Profit | -0.6 | 0.0 | 0.5 |
| Chg. % YoY | -60.5% | -93.7% | nm |
| Net Fin. Position | 51.7 | 48.3 | 46.7 |
| Net Fin. Pos. / EBITDA (x) | nm | nm | nm |
| Capex | -4.0 | -5.0 | -5.0 |
| OpFCF b.t. | -2.5 | -2.3 | -1.9 |
| OpFCF b.t. as % of EBITDA | nm | nm | nm |

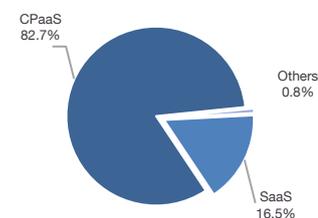
Source: Growens SpA (historical figures), Value Track (estimates)

1H 2023 Revenues by geography



Source: Growens SpA

1H 2023 Revenues by business line



Source: Growens SpA

Investment case

Strengths / Opportunities

- ◆ Strong Net Cash Position as a result of the ESP business disposal;
- ◆ 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.

Stock multiples @ €7.05 Fair Value

| | 2023E | 2024E |
|-------------------|-------|-------|
| EV / SALES (x) | 0.7 | 0.7 |
| EV / EBITDA (x) | 53.2 | 43.0 |
| EV / EBIT (x) | nm | nm |
| EV / CAP.EMP. (x) | 2.5 | 2.3 |
| OpFCF Yield (%) | nm | nm |
| P / E (x) | nm | nm |
| P / BV (x) | 1.5 | 1.5 |
| Div. Yield. (%) | 0.0 | 0.0 |

Source: Value Track

2023E-25E Estimates

Here follow Growens' new 2023E-25E estimates taking into account the expected impact of Datatrics disposal.

Growens: P&L figures 2023E-25E

| €mn | 2023PFE | 2024E | 2025E |
|-----------------------------|-------------|-------------|--------------|
| Group Revenues | 79.8 | 89.8 | 102.7 |
| COGS + Labour Costs | -78.7 | -88.3 | -100.6 |
| EBITDA | 1.1 | 1.4 | 2.1 |
| EBITDA margin (%) | 1.4% | 1.6% | 2.1% |
| Depreciation & Amortization | -1.8 | -1.8 | -2.0 |
| EBIT | -0.7 | -0.4 | 0.1 |
| Net Fin.Income (charges) | -2.9 | 0.3 | 0.5 |
| Extraordinary Items | 62.0 | 0.0 | 0.0 |
| Pre-tax Profit | 58.4 | -0.1 | 0.6 |
| Tax | -0.7 | 0.0 | -0.2 |
| Net Profit | 57.7 | 0.0 | 0.5 |

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

Growens: Balance Sheet figures 2023E-25E

| €mn | 2023PFE | 2024E | 2025E |
|---|-------------|-------------|-------------|
| Net Working Capital | -5.0 | -5.0 | -5.5 |
| Net Fixed Assets | 29.9 | 33.3 | 36.3 |
| Provisions | 1.9 | 1.9 | 2.3 |
| Total Capital Employed | 23.1 | 26.5 | 28.5 |
| Group Net Equity | 74.8 | 74.8 | 75.2 |
| Net Fin. Position [i.e. Net Debt (-) Cash (+)] | 51.7 | 48.3 | 46.7 |

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

Growens: Cash Flow figures 2023E-25E

| €mn | 2023PFE | 2024E | 2025E |
|--|-------------|-------------|-------------|
| Reported EBITDA | 1.1 | 1.4 | 2.1 |
| Change in NWC / Provisions | 0.4 | 1.3 | 1.0 |
| Capex | -4.0 | -5.0 | -5.0 |
| Cash Taxes | 0.3 | 0.0 | -0.2 |
| Other (Incl. Fin. Charges, Fin. Inv. / Disposal) | 53.8 | -1.2 | 0.5 |
| Net Cash generated | 51.6 | -3.4 | -1.6 |

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

Valuation

Our Sum-of-the-Parts based fair value moves to €7.05 per share (from €7.00), built as follows:

- ◆ Agile Telecom valued at average of 0.5x EV/Sales and 10x EV/EBITDA 2023E;
- ◆ Beefree valued at 4x EV/ARR;
- ◆ €1.2mn holding costs (post ESP disposal), capitalized at ca. 8.5%;
- ◆ €18mn cash to be devoted at the PTO taken at face value;
- ◆ Ca. €51.3mn-€51.5mn mn residual Net Cash post ESP disposal valued at ca. 20x P/E, assuming that for the time being it will be invested at 2.6% yield net of tax (3.5% gross) thus generating some €1.3mn annual positive impact on group's bottom line.

Growens: Sum-of-the-Parts valuation

| Company | Stake (%) | EV (€mn) | Valuation Method |
|--|-----------|--------------|---|
| Agile Telecom | 100% | 33.8 | 0.5x EV/Sales '23 - 10.0x EV/EBITDA '23 |
| BEE | 95.2% | 39.6 | 4.0x EV/ARR (Annual Recurring Revenue) |
| Datatrics | 100% | 0.0 | Written off |
| Holding costs | | -10.0 | |
| PTO cash at face value | | 18.0 | |
| Residual Net Cash Position at 20.0x P/E | | 26.7 | |
| Net Asset Value (€mn) | | 108.1 | |
| Fair equity value per share (€ p.s.)(*) | | 7.05 | |

Source: Value Track Analysis (*) Calculated on outstanding shares net of 62.5k treasury ones

Appendix: Beefree at a glance

Growens has recently announced that more than €15mn will be devoted to organic growth in the next three years, and we expect to see an allocation of resources strongly tilted towards Beefree, with heavy marketing investments to support the business growth.

At the same time, the company has stated that M&A will be part of Beefree growth strategy. Indeed, the amount of proceeds recently cashed in makes it possible to look beyond Europe and assume acquisitions even at US multiples.

2014-23: From zero to \$11mn ARR

Back in 2014, Growens initiated its “mission to revolutionize email creation” with a powerful and intuitive tool initially named BEE, an abbreviation for “Best Email Editor”. Then in 2015, BEE Plugin was introduced, an embeddable email editor designed for SaaS applications.

After 6 years from the official launch in 2017, the software has evolved from being solely an email editor to a **comprehensive design suite with AI capabilities and advanced features** and the related Business Unit has consistently demonstrated remarkable growth and has become the primary focus of the Group’s strategy due to its game-changing potential.

Since the launch date, BEE has kept always growing its users / clients base and as of today accounts for ca. 350k users per month, 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.

Beefree: Business Unit Highlights

Company

- MailUp spin-off in 2017
- Business team and IP in USA + tech team in Italy
- **9,000+ Clients**, from freelancers to large corporations, 50% in North America
- Ca. **1m free users**
- 70+ employees

Competition

- #1 player **worldwide**
- **Few players**, mainly start-ups and Beefree followers
- Upmarket: companies focused on enterprise clients: Stensul, Knak

Strategy

- **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

KPIs

- ARR: \$11m (+24%)
- Net Rev. Retention: 107%
- LTV Beefree: \$807
LTV Beefree SDK: \$68,371
- Payback period: 15 months
- NPS: 56
- Recurring revenues: 99%
- EBITDA: 3%
- Gross Margin: 79%

Source: Growens

Worthy to note, in these years BEE has almost always adhered to the “efficiency rule of 40%,” achieving double-digit growth rates while almost always maintaining positive operating profitability even in the face of rising investments in research and development and sales and marketing activities.

BEE: Quarterly evolution of gross revenues

| | 1H18 | 2H18 | 1H19 | 2H19 | 1H20 | 2H20 | 1H21 | 2H21 | 1H22 | 2H22 | 1H23 |
|-------------------|------|------|------|------|------|------|------|------|------|-------|------|
| Revenues (€mn) | 0.43 | 0.77 | 1.07 | 1.53 | 1.83 | 2.09 | 2.38 | 3.21 | 3.98 | 4.90 | 4.79 |
| Growth YoY (%) | n.a. | n.a. | 224% | 43% | 71% | 36% | 30% | 54% | 67% | 53% | 20% |
| EBITDA (€mn) | 0.10 | 0.30 | 0.32 | 0.43 | 0.09 | 0.39 | 0.14 | 0.18 | 0.39 | -0.19 | 0.12 |
| EBITDA Margin (%) | 17% | 36% | 27% | 25% | 5% | 19% | 6% | 6% | 10% | -4% | 3% |

Source: Growens, Value Track Analysis

2023: From BEE to Beefree

Recently BEE was subject to:

- ◆ A **business model upgrade**, that emphasizes a commitment to providing users with a design experience free of technical constraints and pricing complexities;
- ◆ A related **rebranding**, that aligns with the company's: 1) commitment to providing accessible solutions through a freemium model; 2) vision to become the standard for no-code design across businesses.

As a result, the product names, BEE Pro and BEE Plugin, have evolved to Beefree and Beefree SDK, respectively, and were showcased at premier conferences, SaaStr Annual and HubSpot's Inbound, from September 6 to 8, 2023.

#1 From BEE to Beefree

BEE, a pioneer in no-code email creation tools, has officially rebranded as Beefree.

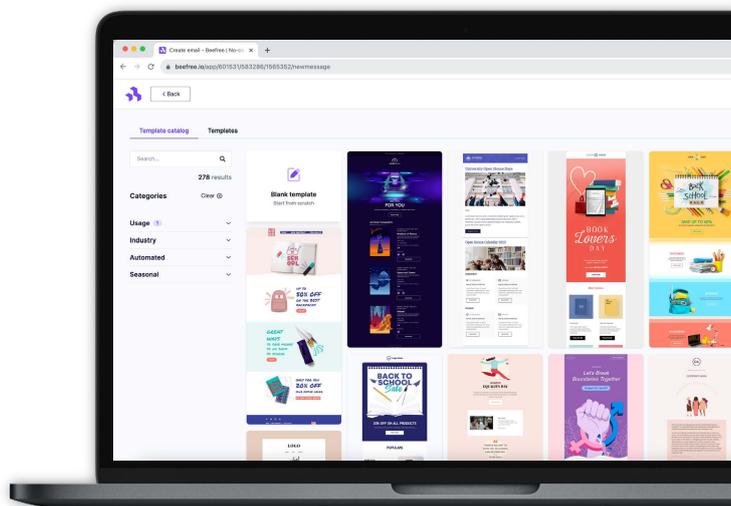
The transition reflects the software's expansion beyond email editing, integrating advanced AI features and collaboration tools, serving over 350,000 users across 120 countries, including industry giants like Amazon, Google, and Disney.

Beefree's user-friendly builders are accessible directly on beefree.io, used by 40,000+ monthly users, and integrated into 600+ SaaS applications via the Beefree SDK.

Beefree

Beefree For Email Designers

- 1,500+ templates thanks to a great designer community
- Advanced Co-editing and collaboration features
- Integrated with the main marketing platforms
- Free editor (also a Gmail extension) generates *product-led* growth
- 1m free users; 9,000+ clients
- Beefree Enterprise: comprehensive contracts



Source: Growens

#2 From BEE Plugin to Beefree SDK

As BEE becomes Beefree, BEE Plugin has also transitioned to become Beefree SDK.

This change reflects the expanded functionalities and integration capabilities of this software development kit.

Beefree SDK offers a comprehensive content creation toolkit, including landing page builders, popup builders, a file manager, and more. It seamlessly integrates into existing platforms, streamlining content design processes.

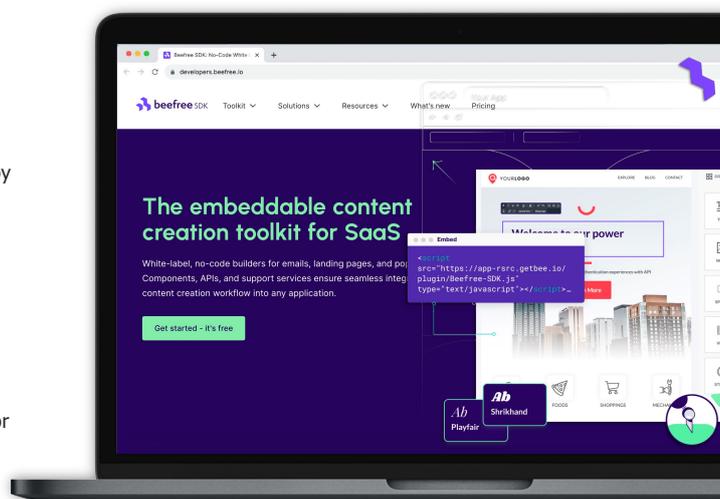
This evolution should benefit the developers with a reduced workload, accelerated time to market and great user experience.

Beefree SDK

Beefree SDK

Embeddable editor for SaaS applications

- ▶ A completely customizable editor
- ▶ Easy «Make vs Buy» pitch: companies save money and time by embedding Beefree vs. building their own drag-n-drop editor
- ▶ Clear advantages:
 - ✓ Fast deployment (<30 days) and easy integration
 - ✓ Low maintenance costs
 - ✓ Reliable technology that scales automatically
 - ✓ Fully customizable and seamlessly embeddable
 - ✓ Hosted on AWS, 99.5% uptime, ISO 27001 certified for added reliability and security



Source: Growens

Appendix 2: Recap on recent corporate events

ESP Business Disposal

Back as of February 2023, Growens has announced the signing of a binding agreement for the disposal of the “Email Service Provider” business to TeamSystem.

The deal’s perimeter involved the following business units: MailUp+Contactlab, Acumbamail, MailUp Nordics+Globase.

The transaction resulted in a **new Group perimeter**, consisting of Beefree, Agile Telecom and Datatrics. The massive amount of proceeds generated from the deal (which approaches the most recent market capitalization of the entire Group) represents a game-changing event for the company and open the way to new strategies.

The updated purchase price of **€76.7mn** (vs. previous €70mn), results in deal multiples of ca. 2.9x EV/Sales and ca. 24.2x EV/EBITDA for the FY22.

Voluntary Partial Tender Offer

Back as of July, the Board of Directors announced a voluntary partial purchase offer on Growens ordinary shares at a price of **€6.80 per share**, for a maximum total consideration of **€18mn**.

The offer regards max 2,647,058 shares i.e. approximately 17.2% of the total issued ordinary shares.

The PTO has been recently approved by the AGM. We expect the subscription period to be scheduled between end of October and early November.

Noteworthy, the company has announced that it will not cancel the shares bought back, but it will use them for M&A deals.

Growens: Shareholder Structure actual (lhs) and expected (rhs,*)



Source: Growens, (*) under the assumption that all the shares acquired would be sourced from the publicly traded free float.

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