

Italy – Marketing Technology

9M results in line with expectations corroborate FY forecasts

7th November 2024

Q3/9M-24 RESULTS RELEASE

RIC: GROWE.MI
BBG: GROW IM

9M-24 results confirmed the quality of the group's strategy of accelerating Beefree's development, as the BU reported significant growth in revenues and achieved the important milestone of \$ 15m of ARR. Furthermore, the corrective actions put in place from Q2-24 to recover Agile Telecom's profitability paid off, as margins returned to historical levels, especially in Q3.

Rating:

Neutral

Price Target:

€ 6.40

Upside/(Downside): 11.1%

Last Price: € 5.76

Market Cap.: € 90.3m

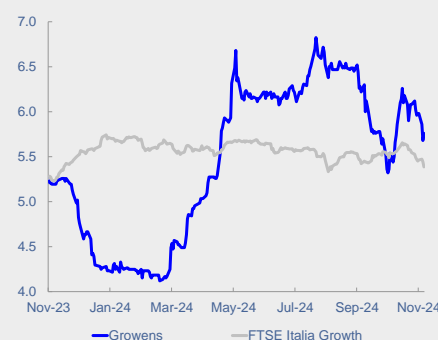
1Y High/Low: € 6.95 / € 4.01

Avg. Daily Turn. (3M, 6M): € 124k, € 109k

Free Float: 31.3%

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	1.8%	-11.4%	9.5%
Rel.to FTSE IT Growth	4.7%	-11.4%	7.1%
Rel.to Peers median	5.4%	-7.6%	4.4%

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Estimates, rating and PT unchanged

Growens's 9M-24 results were characterised by broadly stable turnover, increased gross profit, and decreased EBITDA following the huge investments in boosting Beefree's development, as anticipated by the company after the sale of the ESP business last year. In particular, in Q3-24, Growens achieved solid results concerning Beefree's revenue growth and strongly improved the profitability of Agile Telecom, which returned to its historical levels after a poor H1. Overall, 9M-24 results corroborate our projections for FY-24, thus we have left unchanged our estimates, rating and PT.

Beefree soared by 22% YoY, Agile Telecom recovered profitability after a poor H1

In 9M-24, Growens reported total revenues of € 54.7m (€ 54.6m in 9M-23), driven by excellent growth of the SaaS division (+21.7% YoY), which was slightly offset by a small decrease of the CPaaS division (-5.0% YoY). Beefree totalled sales of € 9.0m, up by 22.3% YoY thanks to increasing volumes as well as the re-pricing of the Beefree SDK solution. As of Sep-24, ARR reached \$ 15.2m. The BU's profitability was affected by the increasing investments in sales & marketing and R&D aimed at boosting Beefree's development and growth. Agile Telecom reported revenues of € 44.4m, down by 4.9% YoY, and EBITDA of € 1.5m, 3.4% margin (vs € 2.0m, 4.3% margin in 9M-23). As stated, starting from Q2, Growens embarked on a few corrective actions to recover profitability, which materialised in Q3 (we remember that, in H1-24, Agile Telecom's EBITDA margin was 2.2%).

EBITDA still affected by huge S&M and R&D expenses, but it turned positive in Q3

Gross Profit grew by 22.5% YoY to € 12.7m, 23.2% margin (€ 10.4m, 19.0% margin in 9M-23), corroborating the quality of the group's strategy, characterised by the focus on boosting Beefree's development and growth as well as improving Agile Telecom's profitability. In particular, a strong improvement was visible in Q3-23, as gross profit soared by 26.6% to € 4.6m, 26.1% margin (€ 3.7m, 18.3% margin in Q3-23). EBITDA was negative for € 0.5m (positive for € 0.3m in 9M-23), mainly because of the increased expenses in S&M (+30% YoY) and R&D (+33% YoY) to support and boost Beefree's development and growth. However, in Q3-24, EBITDA came in positive at € 0.2m, compared to negative at € 0.4m in Q3-23, mainly thanks to the increased profitability of Agile Telecom.

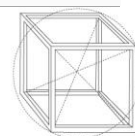
Net cash declined to € 12.5m due to one-off costs and shareholders' remuneration

NFP declined to € 12.5m cash from € 42.1m cash at year-end 2023, mainly as a result of 1) the payment of € 2.4m of fees related to the extraordinary operations occurred in 2023, 2) the payment of the extraordinary dividend of € 20m, 3) capex of € 3.3m, and 4) a € 2.7m increase in NWC mainly due to commercial dynamics concerning Agile Telecom. The NFP includes a figurative debt stemming from the application of the IFRS-16 accounting principle of € 1.4m and it does not include € 4.8m deposited into an escrow account following the agreement for the disposal of the ESP business to TeamSystem.

Growens, key financials and ratios

€ m	2022*	2023	2024e	2025e	2026e
Total Revenues	77.0	75.1	76.2	82.8	91.1
EBITDA	1.4	(0.6)	(0.8)	1.1	2.3
EBIT	(1.4)	(3.7)	(4.5)	(2.9)	(1.8)
Adj. Net profit	(1.5)	(3.1)	(2.9)	(1.9)	(1.2)
NFP (cash)/debt	(0.1)	(42.1)	(14.4)	(11.3)	(8.9)
EBITDA margin	1.9%	-0.7%	-1.0%	1.3%	2.6%
EBIT margin	-1.8%	-4.9%	-6.0%	-3.5%	-2.0%
EPS €	(0.10)	(0.20)	(0.19)	(0.12)	(0.08)
EPS growth	42.5%	n.m.	5.1%	35.3%	34.9%
Free Cash Flow Yield	0.0%	6.6%	-8.4%	-3.5%	-2.7%
PER x	n.m.	n.m.	n.m.	n.m.	n.m.
PCF x	55.2	n.m.	n.m.	n.m.	n.m.
EV/Sales x	0.92	0.66	1.00	0.95	0.89
EV/EBITDA x	49.4	n.m.	n.m.	71.5	34.9
EV/EBIT x	n.m.	n.m.	n.m.	n.m.	n.m.

*2022 was restated to treat the ESP business and Datatrics as discontinued operations

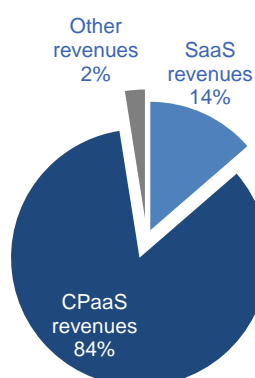


The company at a glance

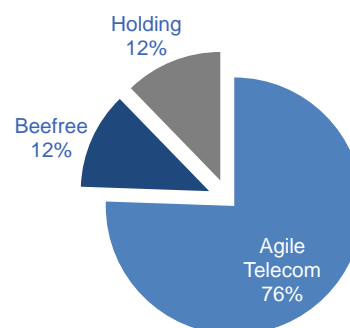
Founded in Cremona (Italy) in 2002 as an email service provider (i.e. the original business MailUp), Growens is now a leading international player in the Global Cloud Marketing Technologies market, one of the fastest growing industries worldwide. Its SaaS and CPaaS solutions allow SMEs and large corporations to master the evolving ways of communicating with customers. The group provides over 10,000 customers (1+ million of which are free users) in more than 115 countries with a wide range of solutions, mainly focusing on mobile messaging and no-code email content creation. Growens employs over 160 people on two continents, generating its turnover almost entirely abroad (foreign revenues are ca. 80% of the total).

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 (6 acquisitions since 2015 and 2 divestments), peaking with the launch of innovative products such as Beefree.io.

2023 breakdown by business division...



... and by business unit



Shareholder structure

Shareholders	%	# m
Nazzareno Gorni (via Poliedriq Srl)	10.4%	1.61
Alberto Miscia (via AMO Srl)	10.4%	1.61
Matteo Monfredini (via MM Srl)	10.3%	1.59
Luca Azzali (via Yugen Srl)	10.0%	1.55
Matteo Bettoni (via Linea Srl)	9.8%	1.51
Treasury shares	17.6%	2.71
Free Float	31.3%	4.82
Total	100.0%	15.39

Source: Company data

Peer group absolute performance

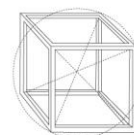
%	1D	1W	1M	3M	6M	YTD
dotDigital Group PLC	6.9	5.7	5.3	(0.5)	(3.1)	(6.0)
HubSpot Inc	3.4	6.5	10.5	29.7	1.3	3.0
Neosperience SpA	(2.7)	(3.4)	(5.7)	(37.6)	(59.2)	(59.9)
SaaS Marketing median	3.4	5.7	5.3	(0.5)	(3.1)	(6.0)
CM.com NV	2.5	(1.1)	(6.8)	(7.1)	(0.8)	(25.9)
Link Mobility Group ASA	1.5	(6.7)	(1.6)	22.1	18.2	33.8
Sinch AB (publ)	(27.0)	(24.2)	(15.3)	(9.9)	8.8	(36.4)
Twilio Inc	1.8	28.0	30.6	53.0	54.0	19.0
Mobile Messaging median	1.6	(3.9)	(4.2)	7.5	13.5	(3.4)
Growens SpA	1.4	(3.4)	1.8	(11.4)	(9.2)	35.1

Source: Refinitiv Eikon

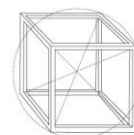
Peer group multiples table

Price & EV multiples x	SALES FY1	SALES FY2	EBITDA FY1	EBITDA FY2	EBIT FY1	EBIT FY2	PER FY1	PER FY2
dotDigital Group PLC	2.90	2.60	9.4	8.4	14.8	13.1	19.0	17.8
HubSpot Inc	11.48	9.74	56.0	46.0	66.3	53.3	72.9	61.9
Neosperience SpA	1.26	1.07	5.3	4.1	35.9	12.2	n.m.	34.6
SaaS Marketing median	2.90	2.60	9.4	8.4	35.9	13.1	45.9	34.6
CM.com NV	1.00	0.89	16.0	10.6	n.m.	25.9	n.m.	95.7
Link Mobility Group Holding ASA	1.11	0.92	11.4	8.7	20.3	13.7	15.8	15.5
Sinch AB (publ)	0.94	0.85	7.7	6.8	32.8	15.4	64.4	28.5
Twilio Inc	2.77	2.50	14.3	12.5	17.7	15.6	23.0	21.0
Mobile Messaging median	1.05	0.90	12.8	9.6	20.3	15.5	23.0	24.7
Growens SpA	1.00	0.95	n.m.	71.5	n.m.	n.m.	n.m.	n.m.

Sources: CFO SIM, Refinitiv Eikon



Income statement (€ m)	2022*	2023	2024e	2025e	2026e
Total revenues	77.0	75.1	76.2	82.8	91.1
COGS	(64.5)	(60.2)	(60.4)	(65.4)	(72.0)
Gross Profit	12.5	14.8	15.9	17.4	19.1
Sales & Marketing	(2.8)	(4.4)	(5.7)	(6.0)	(6.4)
Research & Development	(2.1)	(1.9)	(2.9)	(2.5)	(2.6)
General costs	(6.1)	(9.0)	(8.0)	(7.8)	(7.9)
EBITDA	1.4	(0.6)	(0.8)	1.1	2.3
D&A	(2.8)	(3.1)	(3.8)	(4.0)	(4.2)
EBIT	(1.4)	(3.7)	(4.5)	(2.9)	(1.8)
Financials	(0.3)	1.0	(0.1)	(0.1)	(0.1)
Re/(Devaluation) of financial assets	0.0	0.0	0.0	0.0	0.0
Extraordinary	(1.5)	56.1	0.0	0.0	0.0
Pre-Tax profit	(3.1)	53.5	(4.7)	(3.0)	(2.0)
Income taxes	0.6	(0.4)	1.7	1.1	0.7
Minorities	(0.0)	(0.1)	0.0	0.0	0.0
Net Profit	(2.6)	53.0	(2.9)	(1.9)	(1.2)
Adjusted Net Profit	(1.5)	(3.1)	(2.9)	(1.9)	(1.2)
Balance sheet (€ m)	2022*	2023	2024e	2025e	2026e
Net Working Capital	1.8	(4.0)	(1.2)	(1.2)	(1.1)
Net Fixed Assets	31.8	15.5	17.3	18.3	19.1
Equity Investments	0.3	0.4	0.4	0.4	0.4
Other M/L Term A/L	(17.0)	2.7	2.8	3.0	3.4
Net Invested Capital	17.0	14.7	19.3	20.6	21.7
Net Financial Position	(0.1)	(42.1)	(14.4)	(11.3)	(8.9)
Minorities	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
Group's Shareholders Equity	17.1	56.9	33.9	32.0	30.7
Financial Liabilities & Equity	17.0	14.7	19.3	20.6	21.7
Cash Flow statement (€ m)	2022*	2023	2024e	2025e	2026e
Total net income	-	53.1	(2.9)	(1.9)	(1.2)
Depreciation	-	3.1	3.8	4.0	4.2
Other non-cash charges	-	(67.8)	(0.0)	(0.3)	(0.3)
Cash Flow from Oper. (CFO)	-	(11.5)	0.8	1.8	2.6
Change in NWC	-	5.8	(2.8)	0.0	(0.0)
FCF from Operations (FCFO)	-	(5.7)	(2.0)	1.9	2.6
Net Investments (CFI)	-	65.1	(5.6)	(5.0)	(5.0)
Free CF to the Firm (FCFF)	-	59.4	(7.6)	(3.1)	(2.4)
CF from financials (CFF)	-	(26.0)	(20.0)	0.0	0.0
Free Cash Flow to Equity (FCFE)	-	33.3	(27.7)	(3.1)	(2.4)
Financial ratios	2022*	2023	2024e	2025e	2026e
EBITDA margin	1.9%	-0.7%	-1.0%	1.3%	2.6%
EBIT margin	-1.8%	-4.9%	-6.0%	-3.5%	-2.0%
Adj. Net profit margin	-2.0%	-4.1%	-3.9%	-2.3%	-1.4%
Tax rate	18.0%	n.m.	n.m.	n.m.	n.m.
Op NWC/Sales	2.4%	-5.3%	-1.5%	-1.4%	-1.3%
Interest coverage x	n.m.	n.m.	n.m.	n.m.	n.m.
Net Debt/EBITDA x	(0.05)	n.m.	n.m.	(10.22)	(3.80)
Debt-to-Equity x	(0.00)	(0.74)	(0.43)	(0.35)	(0.29)
ROIC	n.m.	n.m.	n.m.	n.m.	n.m.
ROCE	n.m.	n.m.	n.m.	n.m.	n.m.
ROACE	n.m.	n.m.	n.m.	n.m.	n.m.
ROE	n.m.	n.m.	n.m.	n.m.	n.m.
Payout ratio	0.0%	37.8%	0.0%	0.0%	0.0%
Per share figures	2022*	2023	2024e	2025e	2026e
Number of shares # m	15.39	15.39	15.39	15.39	15.39
Number of shares Fully Diluted # m	15.39	15.39	15.39	15.39	15.39
Average Number of shares Fully Diluted # m	15.39	15.39	15.39	15.39	15.39
EPS stated FD €	(0.17)	3.44	(0.19)	(0.12)	(0.08)
EPS adjusted FD €	(0.10)	(0.20)	(0.19)	(0.12)	(0.08)
EBITDA €	0.09	(0.04)	(0.05)	0.07	0.15
EBIT €	(0.09)	(0.24)	(0.30)	(0.19)	(0.12)
BV €	1.11	3.69	2.19	2.07	1.99
FCFO €	-	(0.37)	(0.13)	0.12	0.17
FCFF €	-	3.86	(0.50)	(0.20)	(0.16)
FCFE €	-	2.17	(1.80)	(0.20)	(0.16)
Dividend €	0.00	1.58	0.00	0.00	0.00



Q3/9M-24 Results

Growens's 9M-24 results were characterised by broadly stable turnover, increased gross profit, and decreased EBITDA following the large investments in boosting Beefree's development, as anticipated by the company last year after the sale of the ESP business. In particular, in Q3-24, Growens achieved solid results concerning Beefree's revenue growth and strongly improved the profitability of Agile Telecom, which returned to its historical levels after a poor H1.

Table 1 – Growens, Q3/9M-24 results

€ m	Q3-24	Q3-23	% YoY	9M-24	9M-23	% YoY
SaaS Revenues	3.2	2.6	24.0	8.9	7.3	21.7
CPaaS Revenues	14.5	17.1	(15.6)	44.3	46.6	(5.0)
Other Revenues	0.2	0.3	(49.1)	1.5	0.7	n.m.
Total Revenues	17.8	20.0	(11.0)	54.7	54.6	0.1
Gross Profit	4.6	3.7	26.6	12.7	10.4	22.5
% margin	26.1	18.3		23.2	19.0	
EBITDA	0.2	(0.4)	n.m.	(0.5)	0.3	n.m.
% margin	1.3	(1.8)		(0.8)	0.5	
EBT (cont. operations)	(0.6)	(1.4)	60.5	(2.5)	(2.5)	(1.1)
% margin	(3.1)	(7.1)		(4.6)	(4.6)	
NFP (cash)/debt *	-	-	-	(12.5)	(42.1)	70.2

Source: Company data *compared to FY-23

In 9M-24, Growens reported total revenues of € 54.7m, broadly in line with € 54.6m reported in 9M-23, driven by excellent growth of the **SaaS division (+21.7% YoY)**, namely the recurring part of the business, which was slightly offset by a small decrease of the **CPaaS division (-5.0% YoY)**.

Foreign revenues reached € 43.8m, approximately 82% of the total, broadly stable YoY.

Gross Profit grew by 22.5% YoY to € 12.7m, 23.2% margin (€ 10.4m, 19.0% margin in 9M-23), corroborating the quality of the group's strategy, characterised by the focus on boosting Beefree's development and growth as well as improving Agile Telecom's profitability. In particular, **a strong improvement was visible in Q3-23, as gross profit soared by 26.6% to € 4.6m, 26.1% margin** (€ 3.7m, 18.3% margin in Q3-23).

EBITDA was negative for € 0.5m (positive for € 0.3m in 9M-23), mainly because of the **increased expenses in Sales & Marketing (+30% YoY) and Research & Development** (overall +33% YoY, whilst +28% concerning those expensed into P&L) to support and boost Beefree's development and growth. **However, in Q3-24, EBITDA came in positive at € 0.2m**, compared to negative at € 0.4m in Q3-23, **mainly thanks to the increased profitability of Agile Telecom**, which returned to its historical levels.

NFP declined to € 12.5m cash from € 42.1m cash at year-end 2023, mainly as a result of 1) the **payment of € 2.4m of fees** related to the sale of the business units and the voluntary tender offer on treasury shares occurred in 2023, 2) the payment of the **extraordinary dividend of € 20m** (two tranches of € 10m), 3) **capex of € 3.3m** (capitalisation of R&D costs), and 4) a **€ 2.7m increase in NWC** mainly due to commercial dynamics concerning Agile Telecom. The NFP includes figurative debt stemming from the application of the IFRS-16 accounting principle of € 1.4m. Furthermore, **the NFP does not include € 4.8m deposited into an escrow account** following the agreement for the disposal of the ESP business to TeamSystem.

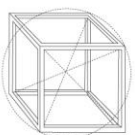


Table 2 – Growens, 9M-24 results breakdown by business unit

€ m	9M-24	9M-23	% YoY
Agile Telecom	44.4	46.7	(4.9)
Beefree	9.0	7.3	22.3
Holding	10.5	8.2	28.0
Consol. Adj.	(9.2)	(7.6)	(20.4)
Total Revenues	54.7	54.6	0.1
EBITDA Agile Telecom	1.5	2.0	(25.2)
EBITDA Beefree	(2.3)	(0.6)	n.m.
EBITDA Holding	0.3	(0.6)	n.m.
Consol. Adj.	0.1	(0.5)	n.m.
Total EBITDA	(0.5)	0.3	n.m.
EBITDA % Agile Telecom	3.4	4.3	
EBITDA % Beefree	(25.9)	(7.8)	
EBITDA % Holding	3.0	(7.5)	
Total EBITDA %	(0.8)	0.5	

Source: Company data

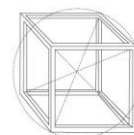
Looking at the 9M-24 results in terms of business units:

- **Beefree totalled sales of € 9.0m, up by 22.3% YoY** thanks to increasing volumes as well as the re-pricing of the Beefree SDK solution (dedicated to developers). As of September 2024, **ARR reached \$ 15.2m**. The BU's profitability was affected by the increasing investments in sales & marketing and R&D aimed at boosting Beefree's development and growth.
- **Agile Telecom reported revenues of € 44.4m, down by 4.9% YoY, and EBITDA of € 1.5m, 3.4% margin** (vs € 2.0m, 4.3% margin in 9M-23). As stated, starting from Q2, Growens embarked on taking some corrective actions to recover profitability, which materialised in Q3 (we remember that in H1-24 Agile Telecom's EBITDA margin was 2.2%).

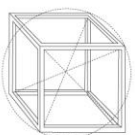
Table 3 – Growens, Beefree's KPIs

KPI	Beefree	Date
ARR Beefree App	\$ 5,003,244	September 2024
ARR Beefree SDK	\$ 10,178,052	September 2024
ARR growth Beefree App	+14%	September 2024
ARR growth Beefree SDK	+40%	September 2024
Gross margin	80%	9M 2024
EBITDA margin	-25%	9M 2024
Net Revenue Retention	106%	September 2024

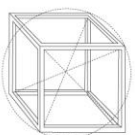
Source: Company data



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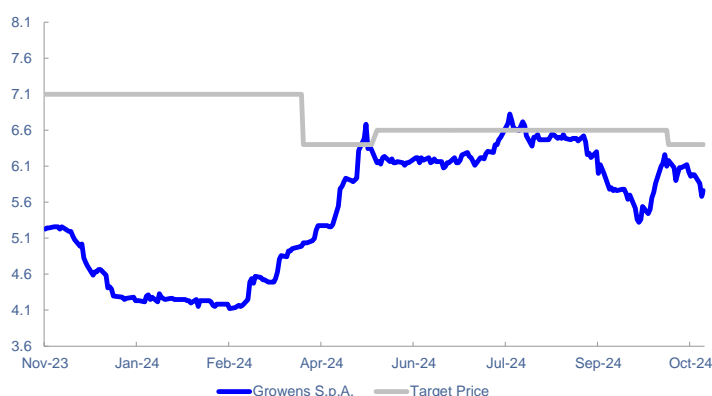
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DATE	TARGET PRICE	RATING
07/11/2024	€6.40	NEUTRAL
18/10/2024	€6.40	NEUTRAL
13/05/2024	€6.60	NEUTRAL
03/04/2024	€6.40	NEUTRAL
15/11/2023	€7.10	NEUTRAL

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- a **BUY** rating is assigned if the target price is at least 15% higher than the market price;
- a **SELL** rating is assigned if the target price is at least 15% lower than the market price;
- a **NEUTRAL** rating is assigned if the difference between the current price and target price lies within the +/-15% range identified using the preceding criteria.

The rating is determined on the basis of the **expected absolute return over a 12-month period** and not on the basis of the estimated outperformance or underperformance relative to a market index. Thus, the rating can be directly linked to the estimated percentage difference between current and target prices. The prices of the financial securities mentioned in the report (also used for the calculation of market capitalisation and market multiples) are the reference prices of the stock market trading day preceding the publication date of the report, otherwise stated.

