

Italy – Marketing Technology

A transformational deal: email business sold for € 70m

6th February 2023

SALE OF THE EMAIL BUSINESS

RIC: GROWE.MI
BBG: GROW IM

Growens sold the Email Service Provider business for € 70m to TeamSystem. The deal brings in significant value for the group's stakeholders and will allow Growens to considerably accelerate the development of BEE, the fastest-growing business unit within the group, both organically and through strategic M&A deals.

Rating:

U.R. (Neutral)

Price Target:

U.R. (€ 5.00)

Upside/(Downside): -

Last Price: € 5.20

Market Cap.: € 80.0m

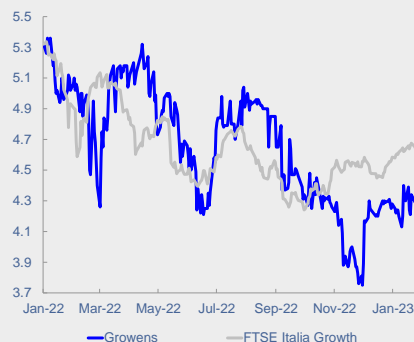
1Y High/Low: € 5.70 / € 3.71

Avg. Daily Turn. (3M, 6M): € 68k, € 45k

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 | 21.5% | 22.4% | 2.0% |
| Rel.to FTSE IT Growth | 19.6% | 15.4% | 14.3% |
| Rel.to Peers median | -8.2% | -7.3% | 31.6% |

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A game-changing and value-accretive deal: estimates, rating and PT under revision

The transaction is undoubtedly a ground-breaking deal for Growens: the total consideration of € 70m is even higher than the market capitalisation of Growens before the announcement (i.e. € 66.2m). Moreover, according to our SOTP valuation the appraisal of the two business units sold, i.e. MailUp + Contactlab and Acumbamail, is in the region of € 40m, thus the price agreed incorporates a premium of approximately 70%. In terms of value per share, we have rudimentarily calculated that the deal brings in about € 2.0 per share of additional value. Considering the magnitude of the deal, both in terms of potential cash-in and the new consolidation scope, we put Under Revision estimates, rating and PT.

Email Service Provider business sold for € 70m, ca. 20x EV/EBITDA

Growens has signed a binding agreement for the sale of the entire Email Service Provider business to TeamSystem for € 70m, subject to certain adjustments based on the NWC and NFP at the closing date, which is expected by the end of Jun-23. The agreement should generate a capital gain net of transaction costs and taxes to the tune of € 60m. According to CFO SIM's estimates, the business units involved in the transaction have turnover of about € 30m with EBITDA in excess of € 3m, thus the price paid corresponds to approximately 2x and 20x EV/Sales_{22e} and EV/EBITDA_{22e}, respectively.

A noteworthy valorisation of the historic business of the group

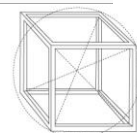
The transaction's scope comprises the MailUp business unit, as well as 100% of Contactlab SpA, Acumbamail SL, MailUp Nordics A/S and Globase International ApS. As of Sep-22, the Email Service Provider business generated revenues of € 19m with EBITDA equal to € 2.2m (Contactlab consolidated since May-22). As of Dec-22, the division had an estimated net cash position of € 4.4m. Overall, the Email Service Provider business has ca. 260 employees in Italy, Denmark and Spain. The BoD resolved to call an ordinary and extraordinary General Shareholder's Meeting on 9-Mar-23 with the aim of approving the transactions as well as the amendments to the by-laws, following the substantial change in the corporate purpose. With respect to the latter decision, non-concurring shareholders will be able to exercise the right to withdrawal of all or part of their stake at a liquidation price equal to € 4.39/s. Withdrawal rights will be applicable starting from the closing date.

A significant number of fresh resources to boost BEE's growth

We believe that Growens has definitely signed a game-changing deal, significantly valuing the historic business of the group. It is worth remembering that MailUp was established in 2002 as a bootstrapped startup and has constantly grown both organically and through strategic acquisitions, of which the latest was Contactlab in Apr-22. The substantial cash-in stemming from the sale of the Email Service Provider business will be geared towards 1) the acceleration of the development of BEE, the group's fastest-growing business unit, 2) seizing potentially-accretive M&A deals aimed at enriching BEE's offer and, 3) generating a return for stakeholders.

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 | 2.5% | 6.1% | -5.9% | 5.1% | 6.7% |
| PER x | n.m. | n.m. | n.m. | 44.4 | 27.4 |
| PCF x | 16.8 | 15.2 | 17.2 | 11.7 | 10.1 |
| EV/Sales x | 1.06 | 0.86 | 0.79 | 0.65 | 0.54 |
| EV/EBITDA x | 13.6 | 11.7 | 17.3 | 9.3 | 7.1 |
| EV/EBIT x | 50.2 | 53.9 | n.m. | 25.3 | 14.7 |



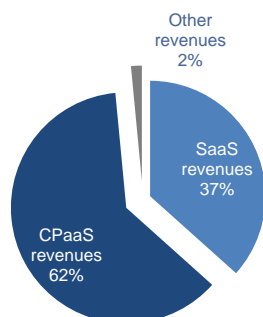
The company at a glance

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.

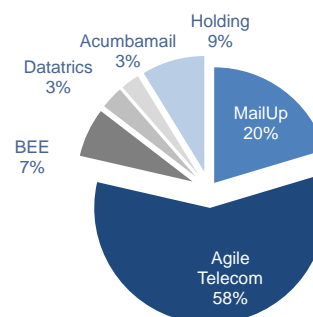
The group has been on a significant growth path since its establishment: set up as a start-up in 2002, the group has constantly grown both organically and via M&A, peaking with the launch of innovative products such as BEEfree.io.

Growens closed FY-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



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

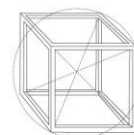
| % | 1D | 1W | 1M | 3M | 6M | YTD |
|------------------------------------|--------------|--------------|-------------|-------------|--------------|-------------|
| dotDigital Group PLC | 4.6 | 23.8 | 29.6 | 57.4 | 15.8 | 33.1 |
| CM.com NV | (0.9) | 7.7 | 8.3 | 22.5 | 9.0 | 17.1 |
| Kaleyra Inc | (8.7) | 3.6 | 30.3 | 45.0 | (52.7) | 53.6 |
| Link Mobility Group Holding | 1.9 | 5.2 | 32.2 | 23.2 | (26.2) | 29.4 |
| Sinch AB (publ) | 0.9 | 0.5 | 2.5 | 25.4 | 91.9 | 23.3 |
| Mobile Messaging median | 0.0 | 4.4 | 19.3 | 24.3 | (8.6) | 26.4 |
| HubSpot Inc | (8.1) | 1.9 | 34.4 | 37.7 | (1.9) | 26.5 |
| Neosperience SpA | (0.8) | (11.6) | 0.5 | 29.7 | 5.8 | 8.6 |
| Predictive Marketing median | (4.4) | (4.8) | 17.5 | 33.7 | 2.0 | 17.5 |
| Growens SpA | 21.8 | 19.8 | 21.5 | 22.4 | 5.9 | 21.2 |

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 (Email Marketing) | 4.03 | 3.61 | 12.2 | 11.0 | 18.8 | 17.0 | 26.3 | 24.7 |
| CM.com NV | 1.30 | 1.12 | n.m. | n.m. | n.m. | n.m. | n.m. | n.m. |
| Kaleyra Inc | 0.57 | 0.53 | 9.4 | 8.8 | n.m. | n.m. | n.m. | n.m. |
| Link Mobility Group Holding ASA | 1.08 | 0.92 | 8.7 | 6.8 | 26.4 | 14.4 | 18.1 | 10.6 |
| Sinch AB (publ) | 1.73 | 1.48 | 16.5 | 12.7 | n.m. | 30.8 | n.m. | 57.6 |
| Mobile Messaging median | 1.19 | 1.02 | 9.4 | 8.8 | 26.4 | 22.6 | 18.1 | 34.1 |
| HubSpot Inc | 9.95 | 8.21 | 80.0 | 68.3 | 110.5 | 96.9 | 149.3 | 123.1 |
| Neosperience SpA | 1.80 | 1.34 | 5.7 | 4.3 | 17.8 | 8.8 | 34.5 | 14.5 |
| Predictive Marketing median | 5.88 | 4.77 | 42.9 | 36.3 | 64.1 | 52.8 | 91.9 | 68.8 |
| Growens SpA | 0.79 | 0.65 | 17.3 | 9.3 | n.m. | 25.3 | n.m. | 44.4 |

Sources: CFO SIM, Refinitiv 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 |



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| DATE | TARGET PRICE | RATING |
|------------|--------------|---------|
| 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 |
| 25/03/2022 | €6.20 | BUY |
| 11/11/2021 | €5.90 | BUY |

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- 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.

