

Italy – Marketing Technology

An acquisition might be around the corner

20th May 2021

GERMAN SPRING CONFERENCE

RIC: GROWE.MI
BBG: GROW IM

Growens SpA was virtually in Frankfurt for the German Spring Conference, during which the company's co-founder & CEO and Executive Director, Board member & IR manager took part in one-to-one meetings with eight key European investors. Here are the main points worth remembering from the meetings:

Rating:

Buy

Price Target:

€ 6.00

Upside/(Downside): 44.9%

Last Price: € 4.14

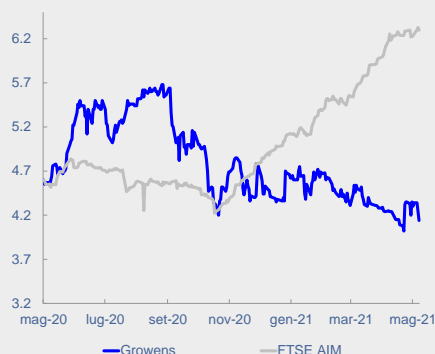
Market Cap.: € 62.2m

1Y High/Low: € 5.74 / € 3.81

Free Float: 36.8%

Major shareholders:

Alberto Miscia	10.7%
Matteo Monfredini	10.6%
Nazzareno Gorni	10.6%
Luca Azzali	10.2%
Matteo Bettoni	10.1%



Stock price performance

	1M	3M	12M
Absolute	-2.4%	-10.6%	-8.8%
Rel.to AIM Italia	-4.1%	-17.8%	-64.3%
Rel.to Peers median	0.3%	-1.2%	-90.8%

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Well on track to announce at least one M&A deal by the end of the year

The huge cash available (€ 9.1m in Q1-21) and the potential leverage allow the group to seize a few M&A opportunities: management confirmed that the group is currently assessing a couple of targets, with a view to integrating a large size SaaS company. In particular, Growens is looking for EU or UK companies operating in the MarTech segment and owning software solutions complementary to MailUp, in order to enlarge the group's product portfolio as well as its market share. The targets should have a turnover between € 5m and € 15m and good cash flow generation. Management is confident to close at last one deal by the end of the year. Furthermore, after this round of acquisitions, the group is likely to start planning the uplisting on the MTA/STAR segment or any other foreign stock market in 2022 concurrently with a sizeable rights issue to feed a second round of M&A.

In Q1-21 sales grew by 4.8% YoY, EBITDA totalled € 1.4m vs € 0.5m in Q1-20

Q1-21 showed growing revenues and a massive improvement in margins thanks to several optimisation and cost saving strategies. Revenues grew by 4.8% YoY to € 16.6m, despite Q1-21 was to a certain extent a period of full lockdown, whilst Q1-20 was only partially affected by Covid-19. EBITDA totalled € 1.4m, 8.3% margin (vs € 0.5m, 3.4% margin in Q1-20). The strong improvement in margins was mainly related to the massive increase in gross profit, which soared by 25.7% YoY, more than proportionately to revenues thanks to several optimisation and cost saving measures. On the other hand, the group did not suspend or postpone any planned strategic projects, mainly related to R&D. Growens's reported revenues and EBITDA in Q1-21 represented 22.2% and 23.5% of our FY-21 top line and EBITDA estimates respectively, thus corroborating our 2021 projections. Just by way of comparison, in 2020 Q1 revenues and EBITDA accounted for 24.3% and 10.7% of FY figures respectively, while in 2019 they accounted for 22.0% and 10.1%.

A leading, fast-growing and global MarTech scale-up

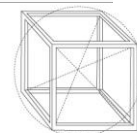
After the first-rate growth since its establishment, Growens is now aiming at continuing its expansion and consolidating its competitive positioning in the reference market, relying on 1) its widespread client portfolio, 2) the ample amount of recurring revenues (generally 1/3 of FY sales) stemming from its SaaS business model, 3) good revenue distribution by geography (foreign sales accounted for more than 50%) and 4) a solid financial structure with vast M&A firepower.

Strengthening the operating structure in 2021 to support medium-term growth

In 2021, the group will continue to strengthen its operating structure, hiring senior staff members in order to take advantage of the recovery in the demand for marketing activities in the medium-term. According to our figures, Growens is projected to grow at a CAGR₂₀₋₂₃ of 12.8%, 22.1% and 85.3% in terms of revenues, EBITDA and EPS respectively. We reiterate our Buy recommendation on the stock, PT confirmed.

Growens, key financials and ratios

€ m	2019	2020	2021e	2022e	2023e
Total Revenues	60.8	65.2	74.8	84.2	93.7
EBITDA	4.8	5.1	5.4	7.5	9.3
EBIT	1.8	1.4	1.8	4.0	5.8
Net profit	1.2	0.6	1.1	2.5	3.6
NFP (cash)/debt	(2.4)	(2.5)	(4.2)	(7.7)	(12.0)
EBITDA margin	7.9%	7.8%	7.3%	8.9%	9.9%
EBIT margin	3.0%	2.1%	2.4%	4.7%	6.2%
EPS €	0.08	0.04	0.07	0.16	0.24
EPS growth	-8.4%	-50.9%	93.6%	124.4%	46.5%
Free Cash Flow Yield	4.7%	3.3%	2.7%	5.6%	7.0%
PER x	47.4	127.2	56.9	25.4	17.3
PCF x	13.3	16.8	13.2	10.4	8.8
EV/Sales x	0.86	1.06	0.78	0.65	0.54
EV/EBITDA x	10.9	13.6	10.7	7.3	5.4
EV/EBIT x	28.2	50.2	32.1	13.7	8.7



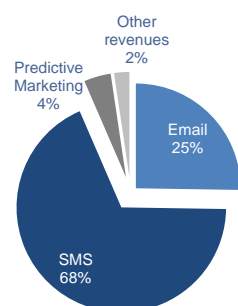
The Company at a Glance

Founded in Cremona (Italy) in 2002 as an email service provider, Growens (formerly MailUp) is now a leading international scale-up company in the European 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 23,000 clients in 115 countries with a wide range of solutions. Growens develops and sells 1) technologies for the mass sending of emails and mobile messages, 2) sophisticated email and newsletter editing tools, 3) innovative technological solutions for predictive marketing and 4) professional consulting services.

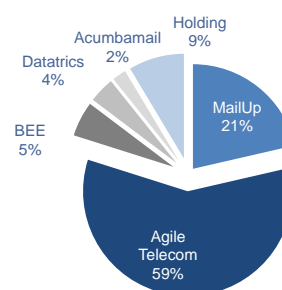
The group operates five synergic business units, corresponding to five different companies: MailUp, Agile Telecom, BEE, Datatrics and Acumbamail. The group achieved a significant growth path since its establishment: set up as a start-up in 2002, Growens closed FY-20 with revenues of € 65.2m, EBITDA of € 5.1m and over 240 employees. Since the IPO in 2014 the group's revenues increased by a CAGR₁₃₋₂₀ of 37.0%, thanks to organic growth boosted by a few acquisitions.

In 2020, revenues were € 65.2m, EBITDA reached € 5.1m, 7.8% margin. EBIT stood at € 1.4m and Net Income totalled € 0.6m. Net Financial Position was € 2.5m cash, thanks to huge cash-flow generation.

2020 breakdown by service...



... and by business unit



Shareholder structure

Shareholders	%	# m
Alberto Miscia	10.7%	1.60
Matteo Monfredini	10.6%	1.59
Nazzareno Gorni	10.6%	1.59
Luca Azzali	10.2%	1.53
Matteo Bettoni	10.1%	1.51
Pronti Gianluca	6.1%	0.91
BMC Holding B.V. *	3.9%	0.58
Treasury shares	1.0%	0.15
Free Float	36.8%	5.51
Total	100.0%	14.97

Source: Company data

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

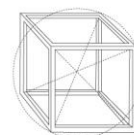
Peer group absolute performance

%	1D	1W	1M	3M	6M	YTD
dotDigital Group PLC	(2.2)	(2.6)	7.0	4.5	36.5	21.1
Kaleyra Inc	(1.1)	(11.9)	(21.1)	(25.6)	62.7	17.4
Sinch AB (publ)	(1.9)	2.8	(17.2)	(20.3)	34.4	(3.1)
Vonage Holdings Corp	1.6	7.5	(1.8)	(9.4)	5.1	4.5
Mobile Messaging median	(1.1)	2.8	(17.2)	(20.3)	34.4	4.5
HubSpot Inc	0.8	(0.0)	(3.6)	(6.7)	35.9	23.2
Neosperience SpA	(1.4)	(0.7)	(2.0)	0.0	8.9	9.5
SharpSpring Inc	(0.5)	(4.3)	(2.7)	(43.3)	(18.7)	(10.3)
Predictive Marketing median	(0.5)	(0.7)	(2.7)	(6.7)	8.9	9.5
Growens SpA	(2.4)	(4.8)	(2.4)	(10.6)	(14.5)	(5.5)

Peer group multiples table

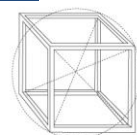
Price & EV multiples x	SALES FY1	SALES FY2	EBITDA FY1	EBITDA FY2	EBIT FY1	EBIT FY2	PER FY1	PER FY2
dotDigital Group PLC (Email Marketing)	9.75	8.56	29.4	26.5	42.8	38.8	51.8	48.9
Kaleyra Inc	2.04	1.56	44.4	12.3	n.m.	38.2	n.m.	63.1
Sinch AB (publ)	6.18	4.21	64.7	31.6	87.8	39.0	96.2	48.6
Vonage Holdings Corp	2.80	2.50	20.0	17.8	58.0	41.3	52.8	44.8
Mobile Messaging median	2.80	2.50	44.4	17.8	72.9	39.0	74.5	48.6
HubSpot Inc	17.66	13.73	142.9	107.3	209.3	142.2	270.9	181.9
Neosperience SpA	2.58	1.99	9.0	7.1	42.2	19.3	108.9	33.5
SharpSpring Inc	n.a.	n.a.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
Predictive Marketing median	10.12	7.86	76.0	57.2	125.7	80.8	189.9	107.7
Growens SpA	0.78	0.65	10.7	7.3	32.1	13.7	56.9	25.4

Source: CFO SIM, Thomson Reuters Eikon





Income statement (€ m)	2019	2020	2021e	2022e	2023e
Total revenues	60.8	65.2	74.8	84.2	93.7
Purchases	(38.3)	(39.2)	(44.5)	(49.7)	(55.3)
Services	(7.2)	(9.0)	(10.9)	(11.1)	(12.8)
Personnel expenses	(10.0)	(11.4)	(13.4)	(15.2)	(15.6)
Other opex	(0.6)	(0.5)	(0.6)	(0.7)	(0.7)
EBITDA	4.8	5.1	5.4	7.5	9.3
D&A	(2.9)	(3.7)	(3.6)	(3.5)	(3.5)
EBIT	1.8	1.4	1.8	4.0	5.8
Financials	(0.0)	(0.2)	(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	1.8	1.2	1.7	3.9	5.7
Income taxes	(0.7)	(0.6)	(0.6)	(1.4)	(2.1)
Minorities	0.0	0.0	0.0	0.0	0.0
Net Profit	1.2	0.6	1.1	2.5	3.6
Net Profit adj.	1.2	0.6	1.1	2.5	3.6
Balance sheet (€ m)	2019	2020	2021e	2022e	2023e
Net Working Capital	(1.7)	(1.5)	(0.6)	(0.4)	(0.3)
Net Fixed Assets	27.4	27.1	26.4	25.9	25.4
Equity Investments	0.1	0.2	0.2	0.2	0.2
Other M/L Term A/L	(11.3)	(11.0)	(11.9)	(12.6)	(13.0)
Net Invested Capital	14.6	14.8	14.2	13.1	12.4
Net Financial Position	(2.4)	(2.5)	(4.2)	(7.7)	(12.0)
Minorities	0.0	0.0	0.0	0.0	0.0
Group's Shareholders Equity	17.0	17.3	18.4	20.8	24.4
Financial Liabilities & Equity	14.6	14.8	14.2	13.1	12.4
Cash Flow statement (€ m)	2019	2020	2021e	2022e	2023e
Total net income	1.2	0.6	1.1	2.5	3.6
Depreciation	2.9	3.7	3.6	3.5	3.5
Other non-cash charges	(0.1)	1.0	0.8	0.7	0.4
Cash Flow from Oper. (CFO)	4.0	5.3	5.5	6.7	7.5
Change in NWC	2.0	(0.2)	(0.9)	(0.2)	(0.1)
FCF from Operations (FCFO)	6.0	5.1	4.7	6.5	7.3
Net Investments (CFI)	(9.9)	(4.2)	(3.0)	(3.0)	(3.0)
Free CF to the Firm (FCFF)	(3.9)	0.9	1.7	3.5	4.3
CF from financials (CFF)	5.2	0.0	0.0	0.0	0.0
Free Cash Flow to Equity (FCFE)	1.2	0.9	1.7	3.5	4.3
Financial ratios	2019	2020	2021e	2022e	2023e
EBITDA margin	7.9%	7.8%	7.3%	8.9%	9.9%
EBIT margin	3.0%	2.1%	2.4%	4.7%	6.2%
Net profit margin	1.9%	0.9%	1.5%	2.9%	3.8%
Tax rate	36.9%	53.0%	37.0%	37.0%	37.0%
Op NWC/Sales	-2.8%	-2.3%	-0.8%	-0.5%	-0.3%
Interest coverage x	0.01	0.13	0.04	0.02	0.01
Net Debt/EBITDA x	(0.49)	(0.49)	(0.77)	(1.02)	(1.30)
Debt-to-Equity x	(0.14)	(0.15)	(0.23)	(0.37)	(0.49)
ROIC	7.9%	3.8%	7.7%	18.7%	29.0%
ROCE	7.0%	5.0%	6.2%	12.3%	16.0%
ROACE	8.1%	5.1%	6.4%	12.9%	16.9%
ROE	6.8%	3.3%	6.0%	11.8%	14.7%
Payout ratio	0.0%	0.0%	0.0%	0.0%	0.0%
Per share figures	2019	2020	2021e	2022e	2023e
Number of shares # m	14.97	14.97	14.97	14.97	14.97
Number of shares Fully Diluted # m	17.37	17.37	17.37	17.37	17.37
Average Number of shares Fully Diluted # m	16.15	17.37	17.37	17.37	17.37
EPS stated FD €	0.07	0.03	0.06	0.14	0.21
EPS adjusted FD €	0.07	0.03	0.06	0.14	0.21
EBITDA €	0.30	0.29	0.31	0.43	0.53
EBIT €	0.11	0.08	0.10	0.23	0.33
BV €	0.98	0.99	1.06	1.20	1.41
FCFO €	0.37	0.29	0.27	0.37	0.42
FCFF €	(0.24)	0.05	0.10	0.20	0.25
FCFE €	0.08	0.05	0.10	0.20	0.25
Dividend €	0.00	0.00	0.00	0.00	0.00



ANALYST CERTIFICATION

This publication was prepared by **LUCA ARENA**, Head of the Equity Research Department of "Corporate Family Office SIM S.p.A." ("CFO SIM") and **GIANLUCA MOZZALI**, Equity Analyst of CFO SIM. This is to certify that the views expressed on the companies mentioned in this document reflect the analysts' personal opinions and that no direct or indirect recompense has been, or will be, received by the analyst further to the views expressed herein.

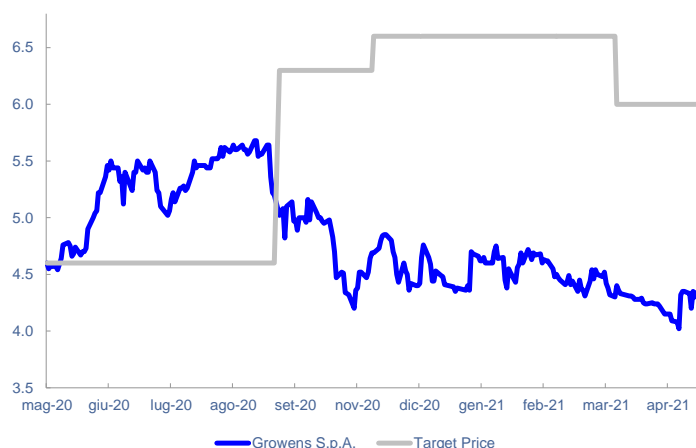
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DATE	TARGET PRICE	RATING
20/05/2021	€6.00	BUY
13/05/2021	€6.00	BUY
30/03/2021	€6.00	BUY
11/01/2021	€6.60	BUY
10/12/2020	€6.60	BUY
13/11/2020	€6.60	BUY
21/09/2020	€6.30	NEUTRAL

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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% bands identified using the preceding criteria.

The rating is determined on the basis of the **expected absolute return 12 months forward** and not on the basis of the estimated out/underperformance relative to a market index. Thus, the rating can be directly linked with the estimated percentage difference between current price and target price. 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.

