

Italy – Marketing Technology

H1 hit by lockdowns but signs of recovery starting from Q2

17th September 2021

H1-21 RESULTS RELEASE

RIC: GROWE.MI
BBG: GROW IM

H1-21 results unveiled mid-single digit revenues growth and a more-than-proportional EBITDA progression. The group posted a slight acceleration in Q2 compared to Q1, mainly thanks to the progressive reopening of economic activity worldwide. Growens is currently assessing a couple of M&A targets, with a view to integrating one or more SaaS companies.

Rating:

Buy

Price Target:

€ 5.90 (€ 6.00)

Upside/(Downside): 40.1%

Last Price: € 4.21

Market Cap.: € 63.3m

1Y High/Low: € 5.38 / € 3.81

Avg. Daily Turn. (3M, 6M): € 23k, € 33k

Free Float: 36.9%

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	-6.0%	-5.4%	-21.5%
Rel.to AIM Italia	-8.9%	-15.1%	-78.0%
Rel.to Peers median	-14.5%	-26.5%	-81.2%

Analysts:

Luca Arena
+39 02 30343 395
luca.arena@cfosim.com

Gianluca Mozzali
+39 02 30343 396
gianluca.mozzali@cfosim.com

New PT € 5.90/s (€ 6.00), 40.1% upside: Buy

Growens reported H1-21 results affected by a weak Q1, which was somehow a period of full lockdown, partially counterbalanced by a good Q2, showing increasing revenues in all the business units. Nevertheless, the 6.3% increase in sales posted in H1-21 was significantly lower compared to CFO SIM's growth assumption of 14.7% for FY-21. Thus, following the H1-21 results release, we have updated our model factoring in: 1) lower-than-expected growth rates in all the business units for 2021 and 2) fine-tuning of expected EBITDA margin with regard to certain business units. The combined result is an average 6.8%, 4.2% and 7.8% reduction in Revenues, EBITDA and Net Profit in 2021-23. Moreover, CFO SIM has updated the DCF valuation criteria, bringing the Free Risk Rate up-to-date. The combined result is a new PT of € 5.90/s (€ 6.00), offering 40.1% upside. Buy reiterated.

Revenues grew by 6.3%, EBITDA rose more-than-proportionally (up by 10.6%)

H1-21 total revenues were € 33.7m, up by 6.3% YoY thanks to the increase in both SaaS revenues (+ 8.1% YoY) and CPaaS revenues (+ 7.2% YoY). Gross profit rose by 12.2% to € 11.6m (gross margin at 34.4%), thanks to the ongoing effect of optimisation and costs saving measures. As a consequence, EBITDA grew by 10.6% to € 2.4m, 7.1% margin. The improvement in margins was mainly driven by: 1) lower S&M costs on the back of the several lockdowns which almost zeroed in-person events and related travelling; 2) a sharp increase in EBITDA margin at the Agile Telecom, BEE and Acumbamail BUs; 3) a reduction in operating loss achieved by Datatrics thanks to its reorganisation strategy launched in 2020. It is worth noticing that the group has not suspended or deferred strategic investments, mainly in R&D (in H1-21 R&D costs increased by 33.5% YoY).

Slight worsening of NFP due to a temporary increase in NWC

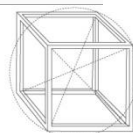
Net Profit declined by 26.2% to € 0.3m (vs € 0.4m in H1-20), mainly as a result of higher D&A due to huge investments in R&D aimed at improving and innovating the group's offer. NFP was € 1.6m cash compared to € 2.5m cash at end-20. Cash and cash equivalents were equal to € 9.8m. The decrease in net cash was mainly attributable to NWC absorption of € 0.9m driven by 1) some slowdown in collections due to the pandemic 2) a slight contraction in multi-period subscriptions and 3) some delays in the collection of significant receivables, expected by the end of H1 but occurred in the first weeks of H2.

M&A: Growens is looking at a couple of companies with SaaS business model

The huge cash available, coupled with a low amount of debt, gives Growens a huge M&A firepower. Management has recently confirmed that it is assessing a couple of M&A opportunities with the aim of integrating one or more SaaS companies, leaving room for further upside potential. In particular, Growens is looking for EU 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. Ideal targets should have a turnover between € 5m and € 15m and good cash flow generation.

Growens, key financials and ratios

€ m	2019	2020	2021e	2022e	2023e
Total Revenues	60.8	65.2	70.0	78.1	87.4
EBITDA	4.8	5.1	5.4	7.0	8.8
EBIT	1.8	1.4	1.8	3.5	5.3
Net profit	1.2	0.6	1.1	2.1	3.3
NFP (cash)/debt	(2.4)	(2.5)	(3.6)	(6.8)	(10.8)
EBITDA margin	7.9%	7.8%	7.7%	9.0%	10.0%
EBIT margin	3.0%	2.1%	2.5%	4.4%	6.1%
EPS €	0.08	0.04	0.07	0.14	0.22
EPS growth	-8.4%	-50.9%	89.6%	99.7%	53.9%
Free Cash Flow Yield	4.6%	3.3%	1.8%	5.0%	6.4%
PER x	47.4	127.2	59.1	29.6	19.2
PCF x	13.3	16.8	13.5	11.1	9.3
EV/Sales x	0.86	1.06	0.85	0.72	0.60
EV/EBITDA x	10.9	13.6	11.1	8.1	6.0
EV/EBIT x	28.2	50.2	33.6	16.3	9.9



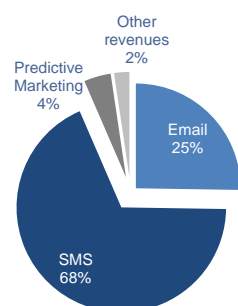
The Company at a Glance

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.

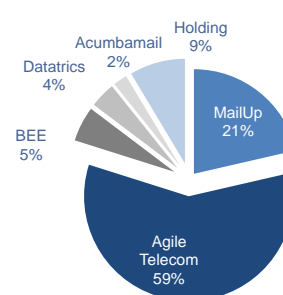
The group operates five synergic business units, corresponding to five different companies: MailUp, Agile Telecom, BEE, Datatrics and Acumbamail. The group achieved a significant growth path since its establishment: set up as a start-up in 2002, Growens closed FY-20 with revenues of € 65.2m, EBITDA of € 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%	1.602
Matteo Monfredini	10.6%	1.587
Nazzareno Gorni	10.6%	1.587
Luca Azzali	10.2%	1.527
Matteo Bettoni	10.1%	1.512
Pronti Gianluca	6.1%	0.913
BMC Holding B.V. *	3.9%	0.584
Treasury shares	0.9%	0.128
Free Float	36.9%	5.531
Total	100.0%	14.971

Source: Company data

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

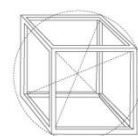
Peer group absolute performance

%	1D	1W	1M	3M	6M	YTD
dotDigital Group PLC	1.1	(1.5)	0.6	21.1	53.2	66.6
Kaleyra Inc	0.8	(10.5)	9.8	(6.2)	(30.4)	11.2
Sinch AB (publ)	1.1	(2.8)	8.8	30.9	27.5	38.5
Vonage Holdings Corp	2.4	11.4	24.1	11.6	36.3	25.7
Mobile Messaging median	1.1	(2.8)	9.8	11.6	27.5	25.7
HubSpot Inc	3.5	3.1	8.5	23.2	63.0	77.4
Neosperience SpA	0.0	0.3	(1.8)	2.9	15.0	22.0
SharpSpring Inc	0.0	0.1	0.8	21.7	(19.6)	5.0
Predictive Marketing median	0.0	0.3	0.8	21.7	15.0	22.0
Growens SpA	(2.1)	(7.1)	(6.0)	(5.4)	(7.3)	(3.9)

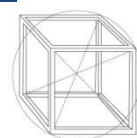
Peer group multiples table

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)	13.26	11.67	39.7	36.5	56.9	52.7	68.2	66.3
Kaleyra Inc	2.09	1.29	34.5	13.3	n.m.	857.4	n.m.	n.m.
Sinch AB (publ)	9.07	6.04	114.7	45.8	174.0	61.0	190.3	76.3
Vonage Holdings Corp	3.25	2.91	23.4	21.5	57.0	42.0	84.2	68.9
Mobile Messaging median	3.25	2.91	34.5	21.5	115.5	61.0	137.2	72.6
HubSpot Inc	25.35	19.65	210.3	153.2	296.6	203.3	388.8	261.5
Neosperience SpA	2.73	2.05	9.9	7.3	50.4	19.6	138.7	36.0
SharpSpring Inc	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Predictive Marketing median	14.04	10.85	110.1	80.3	173.5	111.5	263.8	148.7
Growens SpA	0.85	0.72	11.1	8.1	33.6	16.3	59.1	29.6

Source: CFO SIM, Thomson Reuters Eikon



Income statement (€ m)	2019	2020	2021e	2022e	2023e
Total revenues	60.8	65.2	70.0	78.1	87.4
Purchases	(38.3)	(39.2)	(41.7)	(46.1)	(51.6)
Services	(7.2)	(9.0)	(9.0)	(9.2)	(10.8)
Personnel expenses	(10.0)	(11.4)	(13.4)	(15.2)	(15.6)
Other opex	(0.6)	(0.5)	(0.6)	(0.6)	(0.7)
EBITDA	4.8	5.1	5.4	7.0	8.8
D&A	(2.9)	(3.7)	(3.6)	(3.5)	(3.5)
EBIT	1.8	1.4	1.8	3.5	5.3
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	3.4	5.2
Income taxes	(0.7)	(0.6)	(0.6)	(1.3)	(1.9)
Minorities	0.0	0.0	0.0	0.0	0.0
Net Profit	1.2	0.6	1.1	2.1	3.3
Net Profit adj.	1.2	0.6	1.1	2.1	3.3
Balance sheet (€ m)	2019	2020	2021e	2022e	2023e
Net Working Capital	(1.7)	(1.5)	(0.5)	(0.4)	(0.2)
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)	(11.4)	(12.1)	(12.5)
Net Invested Capital	14.6	14.8	14.7	13.7	12.9
Net Financial Position	(2.4)	(2.5)	(3.6)	(6.8)	(10.8)
Minorities	0.0	0.0	0.0	0.0	0.0
Group's Shareholders Equity	17.0	17.3	18.4	20.5	23.8
Financial Liabilities & Equity	14.6	14.8	14.7	13.7	12.9
Cash Flow statement (€ m)	2019	2020	2021e	2022e	2023e
Total net income	1.2	0.6	1.1	2.1	3.3
Depreciation	2.9	3.7	3.6	3.5	3.5
Other non-cash charges	(0.1)	1.0	0.4	0.6	0.4
Cash Flow from Oper. (CFO)	4.0	5.3	5.1	6.3	7.2
Change in NWC	2.0	(0.2)	(1.0)	(0.1)	(0.1)
FCF from Operations (FCFO)	6.0	5.1	4.1	6.2	7.0
Net Investments (CFI)	(9.9)	(4.2)	(3.0)	(3.0)	(3.0)
Free CF to the Firm (FCFF)	(3.9)	0.9	1.1	3.2	4.0
CF from financials (CFF)	5.2	0.0	0.0	0.0	0.0
Free Cash Flow to Equity (FCFE)	1.2	0.9	1.1	3.2	4.0
Financial ratios	2019	2020	2021e	2022e	2023e
EBITDA margin	7.9%	7.8%	7.7%	9.0%	10.0%
EBIT margin	3.0%	2.1%	2.5%	4.4%	6.1%
Net profit margin	1.9%	0.9%	1.5%	2.7%	3.8%
Tax rate	36.9%	53.0%	37.0%	37.0%	37.0%
Op NWC/Sales	-2.8%	-2.3%	-0.7%	-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)	(0.67)	(0.97)	(1.23)
Debt-to-Equity x	(0.14)	(0.15)	(0.20)	(0.33)	(0.46)
ROIC	7.9%	3.8%	7.3%	15.6%	25.4%
ROCE	7.0%	5.0%	6.1%	10.9%	15.0%
ROACE	8.1%	5.1%	6.2%	11.4%	15.8%
ROE	6.8%	3.3%	5.8%	10.4%	13.8%
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	0.12	0.19
EPS adjusted FD €	0.07	0.03	0.06	0.12	0.19
EBITDA €	0.30	0.29	0.31	0.40	0.51
EBIT €	0.11	0.08	0.10	0.20	0.31
BV €	0.98	0.99	1.06	1.18	1.37
FCFO €	0.37	0.29	0.24	0.35	0.41
FCFF €	(0.24)	0.05	0.06	0.18	0.23
FCFE €	0.08	0.05	0.06	0.18	0.23
Dividend €	0.00	0.00	0.00	0.00	0.00



H1-21 Results

Growens reported 2021 interim results characterised by revenues growing at mid-single digit and a more-than-proportional progression in EBITDA. The group unveiled a slight acceleration in Q2 compared to Q1, mainly thanks to the progressive reopening of economic activities worldwide. Management is currently engaged in assessing a couple of M&A opportunities with the aim of integrating one or more SaaS companies.

As of the H1-21 results release, Growens has reclassified its consolidated revenues into two divisions, namely SaaS and CPaaS, instead of the former breakdown by service (Email, SMS and Predictive Marketing). The choice was made in order to 1) better represent two areas of business with consistent dynamics, business models, go-to-market, KPIs and financials, 2) disclose corporate information consistently with the group's operational and management processes as well as strategic decisions 3) simplify reporting with a view to facilitating comprehension and comparability within international standards.

- **The SaaS (Software-as-a-Service) division** includes the MailUp, BEE, Acumbamail and Datatrics business units, characterised by subscription-based services supplied to customers via cloud platforms.
- **The CPaaS (Communication-Platform-as-a-Service) division** includes the Agile Telecom business unit, which provides messaging services on a wholesale basis using APIs.

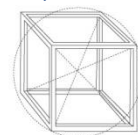
Table 1 – Growens, H1-21 results

€ m	H1-21	H1-20	% YoY
SaaS Revenues	12.5	11.6	8.1
CPaaS Revenues	20.7	19.3	7.2
Other revenues	0.5	0.8	(42.4)
Total revenues	33.7	31.7	6.3
Purchases	(19.7)	(18.9)	
Services	(5.0)	(4.7)	
Personnel expenses	(6.3)	(5.7)	
Other opex	(0.3)	(0.2)	
EBITDA	2.4	2.2	10.6
% margin	7.1	6.9	
D&A	(1.9)	(1.6)	
EBIT	0.5	0.5	(9.4)
% margin	1.4	1.7	
Financials	(0.0)	(0.0)	
Pre-Tax profit	0.4	0.5	(8.9)
% margin	1.3	1.5	
Income taxes	(0.1)	(0.1)	
Tax rate	32.8%	17.1%	
Minorities	-	-	
Net Profit	0.3	0.4	(26.2)
% margin	0.9	1.3	

Source: Company data, CFO SIM analysis

In H1-21, **total revenues were € 33.7m, up by 6.3% YoY**, driven by the increase in both SaaS sales (+8.1% YoY, 37% of total sales) and CPaaS sales (+7.2% YoY, 62% of total sales). Foreign revenues totalled € 17.7m (up by 0.6% YoY), representing 53% of total turnover. Domestic revenues grew by 17% YoY, mainly driven by the increasing SMS volume at Agile Telecom.

Gross profit rose by 12.2% to € 11.6m (34.4% margin), thanks to the ongoing effect of optimisation and costs saving measures. As a consequence, **EBITDA grew by 10.6% to € 2.4m, 7.1% margin** (vs € 2.2m, 6.9% margin in H1-20). The margin improvement was driven by: 1) lower S&M costs on the back of the several lockdowns which almost zeroed in-person events and related travelling; 2) a sharp increase in EBITDA margin at the Agile Telecom, BEE and Acumbamail business units; 3) a reduction in operating loss achieved by Datatrics thanks to its reorganisation strategy launched in 2020. It is worth mentioning that the group has not suspended or deferred strategic investments, mainly in R&D (in H1-21 R&D costs increased by 33.5% YoY).



Net Profit declined by 26.2% to € 0.3m (vs € 0.4m in H1-20), mainly as a result of higher D&A due to huge investments in R&D aimed at improving and innovating the group's offer.

Net Financial Position was € 1.6m cash compared to € 2.5m cash at end-20. The decrease was mainly attributable to NWC absorption of € 0.9m driven by 1) some slowdown in collections due to the pandemic 2) a slight contraction in multi-period subscriptions and 3) some delays in the collection of significant receivables, expected by the end of H1 but occurred in the first weeks of H2.

Table 2 – Growens, quarterly results – breakdown by business unit

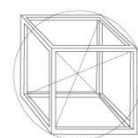
€ m	Q1-21	Q1-20	% YoY	Q2-21	Q2-20	% YoY	H1-21	H1-20	% YoY
MailUp	3.9	4.0	(1.5)	4.3	4.1	4.7	8.2	8.1	1.7
Agile Telecom	11.0	10.5	4.5	11.3	10.2	10.8	22.3	20.7	7.6
BEE	1.1	0.9	27.2	1.2	0.9	32.6	2.4	1.8	30.0
Datatrix	0.7	0.8	(17.5)	0.7	0.7	2.1	1.3	1.5	(8.8)
Acumbamail	0.5	0.4	34.1	0.5	0.4	28.4	1.0	0.7	31.1
Holding	1.3	1.1	17.0	2.1	1.5	46.4	3.5	2.6	33.5
Consol. Adj.	(1.9)	(1.8)		(3.0)	(1.9)		(4.9)	(3.7)	
Total revenues	16.6	15.8	4.8	17.1	15.9	7.8	33.7	31.7	6.3
EBITDA MailUp	1.0	0.6		0.5	1.3		1.4	1.9	
EBITDA Agile Telecom	0.5	0.1		0.6	0.5		1.1	0.6	
EBITDA BEE	0.2	0.1		(0.1)	0.0		0.1	0.1	
EBITDA Datatrix	(0.1)	(0.3)		(0.3)	(0.4)		(0.4)	(0.7)	
EBITDA Acumbamail	0.1	0.1		0.1	0.1		0.2	0.1	
EBITDA Holding	(0.4)	(0.1)		0.2	0.0		(0.2)	(0.0)	
Consol. Adj.	0.1	0.1		0.1	0.1		0.2	0.2	
Total EBITDA	1.4	0.5	153.8	1.0	1.6	(37.3)	2.4	2.2	10.6
EBITDA % MailUp	25.1	15.6		10.5	32.4		17.4	24.2	
EBITDA % Agile Telecom	4.7	1.1		5.1	4.9		4.9	3.0	
EBITDA % BEE	17.9	6.5		(5.1)	3.8		5.8	5.1	
EBITDA % Datatrix	(11.9)	(39.3)		(50.8)	(63.6)		(31.3)	(50.1)	
EBITDA % Acumbamail	25.2	19.5		17.3	14.9		21.1	17.1	
EBITDA % Holding	(31.3)	(6.5)		10.9	1.8		(5.3)	(1.8)	
Total EBITDA %	8.3	3.4		6.0	10.3		7.1	6.9	

Source: Company data, CFO SIM analysis

On a quarterly basis, **Growens showed some acceleration in Q2 compared to Q1**, posting a 7.8% YoY increase in revenues vs a 4.8% increase unveiled in Q1-21. In particular, in Q2-21 all the business units returned to growth, consistently with a timid return to normality worldwide occurred as of late spring/early summer.

Looking at H1-21 revenues in terms of business unit:

- **MailUp's turnover was almost flat YoY (up by 1.7% to € 8.2m)**, mainly as a consequence of its big exposure to the Italian market, deeply affected by the pandemic-related crisis.
- **Agile Telecom totalled € 22.3m, up by 7.6% YoY**, driven by a recovery in SMS traffic which started as economic activity was reopening, especially in Italy.
- **BEE grew by 30.0% YoY** (42.2% at a constant EUR/USD exchange rate) **to € 2.4m**. Annual Recurring Revenues – ARR (showing the average annual recurring value of existing contracts) exceeded \$ 7.0m as of Aug-21.
- **Acumbamail showed € 1.0m revenues, up by 31.1% YoY**, continuing its excellent growth path.
- **Datatrix's sales decreased by 8.8% YoY** even if the reorganisation initiatives launched in 2020 produced an increase in lead generation and client pipeline. The effects of the reorganisation process are expected starting from Q3-21, with a return to growth as of FY-22.



Valuation & Risks

Growens reported H1-21 results affected by a weak Q1, which was somehow a period of full lockdown, partially counterbalanced by a good Q2, showing increasing revenues in all the business units. Nevertheless, the 6.3% increase in sales posted in H1-21 was significantly lower compared to CFO SIM's growth assumption of 14.7% for FY-21. On the other hand, EBITDA grew more-than-proportionately to revenues despite the costs incurred by Growens in order to strengthen its operating structure and its decision not to suspend or defer any strategic projects, mainly related to the R&D division, with a view to improving and innovating the group's offer.

Thus, following the H1-21 results release, we have updated our model, factoring in: 1) **lower-than-expected growth rates in all the business units for 2021**, leaving top line growth assumptions for 2022-23 almost unchanged and 2) **a fine tuning of some business units' expected EBITDA margin**, namely consisting of increasing Agile Telecom's and lowering MailUp's. The combined result is an average **6.8%, 4.2% and 7.8% reduction in Revenues, EBITDA and Net Profit in 2021-23**.

Table 3 – Growens, 2021e new/old estimates

€ m	New	Old	% Diff.	€ m Diff.
Total Revenues	70.0	74.8	(6.4)	(4.8)
EBITDA	5.4	5.4	(0.7)	(0.0)
% margin	7.7	7.3		
EBIT	1.8	1.8	(2.0)	(0.0)
% margin	2.5	2.4		
Net Profit	1.1	1.1	(2.1)	(0.0)
% margin	1.5	1.5		
Y/E net debt (net cash)	(3.6)	(4.2)	(13.1)	0.5

Source: CFO Sim

Table 4 – Growens, 2022e new/old estimates

€ m	New	Old	% Diff.	€ m Diff.
Total Revenues	78.1	84.2	(7.3)	(6.1)
EBITDA	7.0	7.5	(6.6)	(0.5)
% margin	9.0	8.9		
EBIT	3.5	4.0	(12.6)	(0.5)
% margin	4.4	4.7		
Net Profit	2.1	2.5	(12.8)	(0.3)
% margin	2.7	2.9		
Y/E net debt (net cash)	(6.8)	(7.7)	(11.6)	0.9

Source: CFO Sim

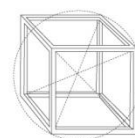
Table 5 – Growens, 2023e new/old estimates

€ m	New	Old	% Diff.	€ m Diff.
Total Revenues	87.4	93.7	(6.7)	(6.3)
EBITDA	8.8	9.3	(5.2)	(0.5)
% margin	10.0	9.9		
EBIT	5.3	5.8	(8.3)	(0.5)
% margin	6.1	6.2		
Net Profit	3.3	3.6	(8.4)	(0.3)
% margin	3.8	3.8		
Y/E net debt (net cash)	(10.8)	(12.0)	(9.8)	1.2

Source: CFO Sim

Moreover, CFO has **updated the DCF valuation criteria**, bringing the Free Risk Rate up-to-date. The combined result is a **new PT of € 5.90/s** (€ 6.00), with an upside of 40.1% to current price levels.

We also updated our sum-of-the-parts valuation, resulting in Growens's equity value of € 13.50/s (€ 11.40/s), showing massive market volatility.



We reiterate our positive stance on the stock: Growens is a high-quality company, with a solid, proven strategy, and led by top-notch management. The investment case includes: 1) a **widespread client portfolio**, 2) a **large amount of recurring revenues** (generally 1/3 of FY turnover) stemming from its **SaaS business model**, 3) a **strong capital structure** with solid equity coupled with excellent financial discipline and 4) **huge M&A firepower**. As regards the latter, management has confirmed that it is currently evaluating a couple of M&A opportunities with the aim of integrating one or more SaaS companies.

DCF

In the DCF-based valuation, we assess explicit estimates until 2025 and long-term growth of 1.5%. Cash flows are discounted back at a weighted average cost of capital calculated according to the following parameters:

Table 6 - WACC derived from:

Interest costs, pre-tax	2.5%
Tax rate	37.0%
Int. costs, after taxes	1.6%
Risk premium, incl. small size premium	9.0%
Risk-free (10Y Gov. Bond 200dd mov. avg.)	0.71%
Beta levered (x)	0.55
Required ROE	5.7%

Source: CFO SIM, Thomson Reuters Eikon

Risk premium at 9.0% factors in the minute size of the company and basically all the concerns and disquiet an investor might have with regard to the AIM Italia market segment. **Beta at 0.55** corresponds to Growens's 5Y levered beta. The **risk-free rate at 0.71%** (previously 0.86%) corresponds to the 200-day moving average of the 10Y Italian Government Bond yield. The WACC is computed using the current 0/100% debt/equity balance-sheet structure, thus penalising the group's valuation.

Table 7 - Growens, DCF model

€ m	2021e	2022e	2023e	2024e	2025e	Term. Val.
EBIT	1.8	3.5	5.3	6.4	7.3	
Tax rate	37.0%	37.0%	37.0%	37.0%	37.0%	
Operating profit (NOPAT)	1.1	2.2	3.3	4.0	4.6	
Change working capital	(1.0)	(0.1)	(0.1)	(0.1)	(0.1)	
Depreciation	3.6	3.5	3.5	3.0	2.5	
Investments	(3.0)	(3.0)	(3.0)	(2.5)	(2.5)	
Free Cash Flows	0.8	2.6	3.7	4.4	4.5	110.3
Present value	0.8	2.4	3.3	3.7	3.6	87.2
WACC	5.7%	5.7%	5.7%	5.7%	5.7%	
Long-term growth rate	1.5%					

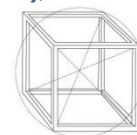
Source: CFO SIM

Table 8 – Growens, DCF derived from:

€ m	
Total EV present value € m	100.8
	<i>thereof terminal value</i>
	86%
NFP last reported - FY-20	2.5
Pension last reported - FY-20	(2.0)
Equity value € m	101.4
# m shares FD (excl. treasury shares)	17.2
Equity value €/s FD	5.90
% upside/(downside)	40.1%

Source: CFO SIM

By applying our DCF model we attained an equity value of € 101.4m, € 5.90/s (6.00), 40.1% upside, with regard to Growens.



The following tables illustrate that sensitivity 1) compared to changes in the terminal growth rate produces an equity value between € 5.07 and 7.04/s (perpetuity range between 0.75% and 2.25%), while 2) if compared to changes in the free risk rate it produces an equity value of € 4.96-7.10/s (free-risk range between 1.46% and 0.00%) and 3) if compared to changes in the risk premium, including small size premium, it results in an equity value of € 4.89-7.36/s (risk premium range between 10.5% and 7.50%).

Table 9 – Growens, equity value sensitivity to changes in terminal growth rate

€ m	0.75%	1.00%	1.25%	1.50%	1.75%	2.00%	2.25%
Present value of CF	13.7	13.7	13.7	13.7	13.7	13.7	13.7
PV of terminal value	73.3	77.4	82.0	87.2	93.0	99.6	107.1
Total value	87.0	91.1	95.7	100.8	106.6	113.3	120.8
NFP last reported - FY-20	2.5	2.5	2.5	2.5	2.5	2.5	2.5
Pension last reported - FY-20	(2.0)	(2.0)	(2.0)	(2.0)	(2.0)	(2.0)	(2.0)
Equity value € m	87.5	91.6	96.2	101.4	107.2	113.8	121.4
# m shares FD (excl. treasury shares)	17.2	17.2	17.2	17.2	17.2	17.2	17.2
Equity value €/s FD	5.07	5.31	5.58	5.90	6.21	6.60	7.04

Source: CFO SIM

Table 10 – Growens, equity value sensitivity to changes in free risk rate

€ m	0.00%	0.21%	0.46%	0.71%	0.96%	1.21%	1.46%
Present value of CF	13.9	13.9	13.8	13.7	13.6	13.5	13.4
PV of terminal value	108.1	101.1	93.7	87.2	81.4	76.2	71.6
Total value	122.0	115.0	107.5	100.8	95.0	89.7	85.0
NFP last reported - FY-20	2.5	2.5	2.5	2.5	2.5	2.5	2.5
Pension last reported - FY-20	(2.0)	(2.0)	(2.0)	(2.0)	(2.0)	(2.0)	(2.0)
Equity value € m	122.5	115.5	108.0	101.4	95.5	90.3	85.6
# m shares FD (excl. treasury shares)	17.2	17.2	17.2	17.2	17.2	17.2	17.2
Equity value €/s FD	7.10	6.70	6.26	5.90	5.54	5.23	4.96

Source: CFO SIM

Table 11 – Growens, equity value sensitivity to changes in risk premium

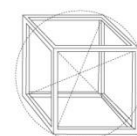
€ m	7.50%	8.00%	8.50%	9.00%	9.50%	10.00%	10.50%
Present value of CF	14.0	13.9	13.8	13.7	13.6	13.5	13.4
PV of terminal value	112.5	102.7	94.4	87.2	80.8	75.3	70.3
Total value	126.4	116.6	108.2	100.8	94.4	88.8	83.7
NFP last reported - FY-20	2.5	2.5	2.5	2.5	2.5	2.5	2.5
Pension last reported - FY-20	(2.0)	(2.0)	(2.0)	(2.0)	(2.0)	(2.0)	(2.0)
Equity value € m	127.0	117.1	108.7	101.4	95.0	89.3	84.3
# m shares FD (excl. treasury shares)	17.2	17.2	17.2	17.2	17.2	17.2	17.2
Equity value €/s FD	7.36	6.79	6.30	5.90	5.51	5.18	4.89

Source: CFO SIM

Sum of the parts

The sum-of-the-parts valuation, also known as breakup value analysis, is a process of valuing a company by determining what its aggregate divisions would be worth if spun off or acquired. The valuation provides the company value by aggregating the standalone value of each of its business units. The equity value is then obtained by adjusting the company's net debt, pension provisions, minorities assessment and perpetuity of holding costs. Please note that Growens has no minority interests in its consolidated balance sheet.

Growens is a vertically integrated player operating in the marketing technology sector. Through its **five synergic business units**, the group is able to manage an entire marketing campaign, from data collection to omni-channel activation. In order to better appraise Growens's different business units, we conducted an analysis on three clusters: 1) companies operating in the email marketing arena, 2) players working in the mobile messaging sector and 3) firms operating in the predictive marketing niche.



In order to evaluate the MailUp, Acumbamail and BEE business units, which provide email marketing products and services, we considered **dotDigital Group PLC (United Kingdom)** as the closest comparable: the group provides software, service technology and tools for digital marketing. Furthermore, it offers Software as a Service (SaaS) technologies, email marketing consultancy and managed services for businesses.

Amongst the mobile messaging players suitable to appraise the Agile Telecom business unit, we selected the following:

Kaleyra (USA): Kaleyra provides cloud communication services. The company manages integrated multi-channel communication services using messages, push notifications, e-mail, instant messaging, voice, and chat bot services. Kaleyra serves customers worldwide.

Sinch AB (Sweden): Sinch develops cloud communication platforms. The company offers personalised messaging, number masking, video calling, voicemail, and other related services. Sinch serves customers mainly in Sweden.

Vonage Holdings Corp. (USA): Vonage's fully-integrated cloud communication platform enables businesses to collaborate more productively and engage their customers more effectively across all channels, including messaging, chats, social media, video and voice. In particular, **Nexmo**, controlled by Vonage Holdings, is a global leader in the Communication Platforms as a Service (CPaaS) sector, providing APIs for text messaging and voice communications.

Amongst the firms operating in predictive marketing relevant to assess the Datatrics business unit, we picked the following:

HubSpot Inc (USA): HubSpot provides a cloud-based marketing and sales software platform. The company offers integrated applications that help in lead generation and social marketing.

Neosperience SpA (Italy): Neosperience, listed on AIM Italia, provides digital marketing and e-commerce technologies. The company develops AI proprietary models that extract personality traits, lifestyles, attitudes, and behaviours from the interaction with its customers' websites, applications, chats, social media, and aggregators.

SharpSpring Inc (USA): SharpSpring provides cloud-based marketing solutions. The company offers email automation, CRM, call tracking, social platforms, and analytical solutions. SharpSpring serves customers in the United States.

Table 12 – Growens, peer group summary table

€ m	Country	Mkt Cap	Sales FY1	EBITDA FY1	EBITDA %	Sales CAGR ₂₀₋₂₃	EBITDA CAGR ₂₀₋₂₃	EBIT CAGR ₂₀₋₂₃	EPS CAGR ₂₁₋₂₃	NFP /EBITDA
dotDigital Group PLC (Email Marketing)	UK	934	68	23	33.4%	18.5%	11.7%	12.9%	6.4%	(1.5)
Kaleyra Inc	USA	385	224	14	6.1%	51.3%	n.m.	n.m.	n.m.	6.2
Sinch AB (publ)	Sweden	13,385	1,550	123	7.9%	48.0%	46.1%	64.9%	73.5%	5.5
Vonage Holdings Corp	USA	3,466	1,178	163	13.9%	13.3%	29.2%	61.5%	36.5%	2.2
Mobile Messaging median		3,466	1,178	123	7.9%	48.0%	37.7%	63.2%	55.0%	5.5
HubSpot Inc	USA	28,094	1,077	130	12.1%	33.6%	n.m.	n.m.	46.0%	(6.0)
Neosperience SpA	Italy	49	19	5	27.6%	25.6%	25.4%	84.4%	197.6%	0.8
SharpSpring Inc	USA	186	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Predictive Marketing median		186	548	68	19.8%	29.6%	25.4%	84.4%	121.8%	(2.6)
Growens SpA	Italy	63	70	5	7.7%	10.2%	20.0%	56.6%	75.3%	(0.7)

Source: CFO SIM, Thomson Reuters Eikon

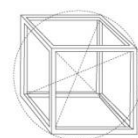


Table 13 – Growens, peer group EV multiple table

x	Sales FY1	Sales FY2	Sales FY3	EBITDA FY1	EBITDA FY2	EBITDA FY3
dotDigital Group PLC (Email Marketing)	13.26	11.67	11.31	39.7	36.5	35.9
Kaleyra Inc	2.09	1.29	0.98	34.5	13.3	9.8
Sinch AB (publ)	9.07	6.04	5.24	114.7	45.8	38.0
Vonage Holdings Corp	3.25	2.91	2.45	23.4	21.5	17.0
Mobile Messaging median	3.25	2.91	2.45	34.5	21.5	17.0
HubSpot Inc	25.35	19.65	15.48	210.3	153.2	110.5
Neosperience SpA	2.73	2.05	1.49	9.9	7.3	5.1
SharpSpring Inc	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Predictive Marketing median	14.04	10.85	8.48	110.1	80.3	57.8
Growens SpA	0.85	0.72	0.60	11.1	8.1	6.0
% Prem./disc.) to dotDigital PLC	(93.6)	(93.8)	(94.7)	(72.2)	(77.9)	(83.4)
% Prem./disc.) to Mobile Messaging	(73.8)	(75.1)	(75.5)	(67.9)	(62.5)	(64.9)
% Prem./disc.) to Predictive Marketing	(93.9)	(93.3)	(92.9)	(90.0)	(90.0)	(89.7)

Source: CFO SIM, Thomson Reuters Eikon

Table 14 – Growens, peer group EV & price multiple table

x	EBIT FY1	EBIT FY2	EBIT FY3	PER FY1	PER FY2	PER FY3
dotDigital Group PLC (Email Marketing)	56.9	52.7	51.0	68.2	66.3	60.2
Kaleyra Inc	n.m.	857.4	16.6	n.m.	n.m.	n.m.
Sinch AB (publ)	174.0	61.0	47.8	190.3	76.3	63.2
Vonage Holdings Corp	57.0	42.0	32.6	84.2	68.9	45.2
Mobile Messaging median	115.5	61.0	32.6	137.2	72.6	54.2
HubSpot Inc	296.6	203.3	142.9	388.8	261.5	182.3
Neosperience SpA	50.4	19.6	9.5	138.7	36.0	15.7
SharpSpring Inc	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Predictive Marketing median	173.5	111.5	76.2	263.8	148.7	99.0
Growens SpA	33.6	16.3	9.9	59.1	29.6	19.2
% Prem./disc.) to dotDigital PLC	(40.8)	(69.1)	(80.6)	(13.4)	(55.4)	(68.1)
% Prem./disc.) to Mobile Messaging	(70.9)	(73.3)	(69.6)	(56.9)	(59.2)	(64.5)
% Prem./disc.) to Predictive Marketing	(80.6)	(85.4)	(87.0)	(77.6)	(80.1)	(80.6)

Source: CFO SIM, Thomson Reuters Eikon

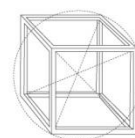
In our SOTP valuation, we used 1) the EV/EBITDA multiple of dotDigital Group to evaluate the MailUp, Acumbamail and BEE business units, 2) the median EV/EBITDA multiple of the Mobile Messaging panel to appraise the Agile Telecom business unit and 3) the median EV/Sales multiple of the Predictive Marketing cluster to assess the Datatrics business unit. We applied a **20% discount to peer multiples**, mainly due to Growens's smaller size and low level of the stock liquidity on the back of its listing on the AIM Italia market.

We decided to assess the equity value using 2021e figures. As a result, we attained a new equity value of € 13.50/s (€ 11.40), showing massive market volatility.

Table 15 – Growens, Sum of the Parts equity value assessment

	€ m	% on EV	Methodology
MailUp BU	120.8	51.4	31.8x peer multiple on € 3.8 m BU EBITDA 2021
Acumbamail BU	15.8	6.7	31.8x peer multiple on € 0.5 m BU EBITDA 2021
BEE BU	12.3	5.3	31.8x peer multiple on € 0.4 m BU EBITDA 2021
Agile Telecom BU	53.3	22.7	27.6x peer multiple on € 1.9 m BU EBITDA 2021
Datatrics BU	32.7	13.9	11.23x peer multiple on € 2.9 m BU Sales 2021
Total EV	234.9	100.0	
Holding costs	(2.8)		Perpetuity of holding costs @ 5.7%
NFP	3.6		FY-21e Net Financial Position
Pension Provision	(2.0)		Pension last reported - FY-20
Equity Value	233.8		
Per share FD	13.50		
% upside/(downside)	220.7%		

Source: CFO SIM, Thomson Reuters Eikon



Peer Stock Performance

Growens (formerly MailUp) was listed on AIM Italia (Alternative Investment Market) on 29 July 2014 at € 2.50/share (**adjusted IPO price of € 1.92/share** as a result of the free capital increase of 11-Apr-16), corresponding to a post-money market capitalisation of € 20.0m. **Growens trades well above the IPO price**, +119.3% since the IPO. The stock reached a 1Y intraday maximum price of € 5.64/s on 16-Sep-20 and a minimum price of € 3.81/s on 3-May-21.

Table 16 – Growens, peer group and index absolute performance

	1D	1W	1M	3M	6M	YTD	1Y
dotDigital Group PLC (Email Marketing)	1.1	(1.5)	0.6	21.1	53.2	66.6	98.1
Kaleyra Inc	0.8	(10.5)	9.8	(6.2)	(30.4)	11.2	52.2
Sinch AB (publ)	1.1	(2.8)	8.8	30.9	27.5	38.5	129.2
Vonage Holdings Corp	2.4	11.4	24.1	11.6	36.3	25.7	59.7
Mobile Messaging median	1.1	(2.8)	9.8	11.6	27.5	25.7	59.7
HubSpot Inc	3.5	3.1	8.5	23.2	63.0	77.4	153.7
Neosperience SpA	0.0	0.3	(1.8)	2.9	15.0	22.0	16.7
SharpSpring Inc	0.0	0.1	0.8	21.7	(19.6)	5.0	49.3
Predictive Marketing median	0.0	0.3	0.8	21.7	15.0	22.0	49.3
Growens SpA	(2.1)	(7.1)	(6.0)	(5.4)	(7.3)	(3.9)	(21.5)
MSCI World Index	0.8	(10.5)	9.8	(6.2)	(30.4)	11.2	52.2
EUROSTOXX	(0.2)	(0.4)	1.9	4.2	11.4	16.1	29.9
FTSE Italia All Share	0.5	(0.4)	0.6	1.5	9.1	17.4	27.0
FTSE STAR Italia	0.7	(0.1)	0.2	1.1	7.7	17.8	30.8
FTSE AIM Italia	0.5	(0.9)	2.8	9.7	28.1	39.0	56.5

Source: Thomson Reuters Eikon

Table 17 – Growens relative performances

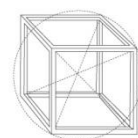
	1D	1W	1M	3M	6M	YTD	1Y
To dotDigital Group PLC	(3.2)	(5.6)	(6.6)	(26.5)	(60.4)	(70.4)	(119.6)
To peer Mobile Messaging median	(3.2)	(4.3)	(15.8)	(17.0)	(34.8)	(29.6)	(81.2)
To peer Predictive Marketing median	(2.1)	(7.4)	(6.8)	(27.1)	(22.3)	(25.9)	(70.8)
To MSCI World Index	(2.9)	3.4	(15.8)	0.8	23.1	(15.0)	(73.7)
To EUROSTOXX	(1.9)	(6.6)	(8.0)	(9.6)	(18.7)	(20.0)	(51.4)
To FTSE Italia All Share	(2.6)	(6.7)	(6.6)	(6.9)	(16.4)	(21.3)	(48.4)
To FTSE STAR Italia	(2.8)	(7.0)	(6.2)	(6.5)	(15.0)	(21.7)	(52.2)
To FTSE AIM Italia	(2.6)	(6.2)	(8.9)	(15.1)	(35.4)	(42.9)	(78.0)

Source: Thomson Reuters Eikon

Risks

The principal investment **risks** associated with Growens include the following:

- Fast technological development increasing competitive pressure;
- Risks due to ICT malfunctions;
- Profit margin dilution stemming from the acquisition campaign;
- Impacts on the profit and loss and balance sheet profiles triggered by a sharp decline in global economic growth or geopolitical instability;
- Departure of one, or a few, of the key people;
- M&A execution being hampered by potential consolidating actors showing higher firepower in the industry.



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.

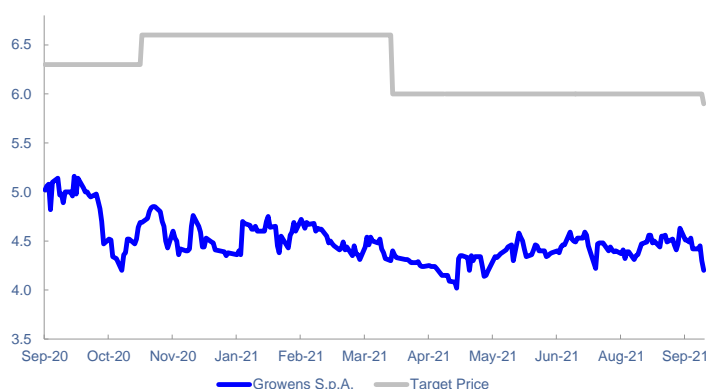
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DATE	TARGET PRICE	RATING
17/09/2021	€5.90	BUY
20/05/2021	€6.00	BUY
13/05/2021	€6.00	BUY
30/03/2021	€6.00	BUY
11/01/2021	€6.60	BUY
10/12/2020	€6.60	BUY
13/11/2020	€6.60	BUY
21/09/2020	€6.30	NEUTRAL

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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.

