

## Italy – Marketing Technology

## Strong increase in recurring revenues mainly driven by BEE

12<sup>th</sup> July 2022

KPIs Q2-22

RIC: GROWE.MI  
BBG: GROW IM

Growens announced certain KPIs updated in June 2022: Annual Recurring Revenues related to the SaaS division posted double-digit organic growth coupled with the consolidation of Contactlab; the CPaaS division soared by over 50% in Q2, as proof of the continuous recovery of SMS traffic.

Rating:

**Buy**

Price Target:

**€ 6.20**

Upside/(Downside): 28.1%

Last Price: € 4.84

Market Cap.: € 73.5m

1Y High/Low: € 5.48 / € 4.10

Avg. Daily Turn. (3M, 6M): € 20k, € 25k

Free Float: 35.9%

Major shareholders:

Nazzareno Gorni	10.7%
Alberto Miscia	10.7%
Matteo Monfredini	10.6%
Luca Azzali	10.3%
Matteo Bettoni	10.1%



### Stock price performance

	1M	3M	12M
Absolute	9.5%	-6.9%	7.1%
Rel.to FTSE IT Growth	11.5%	5.2%	15.1%
Rel.to Peers median	15.9%	17.3%	69.7%

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### Estimates, Rating and PT confirmed

Q2-22 KPIs corroborate CFO SIM's sales forecast for FY-22, i.e. € 93.2m (+30.8% YoY) including the full consolidation of Contactlab. As a consequence, we have left our estimates unchanged. Rating and PT confirmed. H1-22 results will be unveiled on 8-Sep-22.

### ARR related to the SaaS division grew by 33% YoY (up by 19% organically)

€ m	Jun-22	Jun-21	% YoY
MailUp + Contactlab	14.8	11.2	31.9
BEE	8.4	5.2	61.2
Acumbamail	2.0	1.8	10.4
Datatics	2.4	2.5	(2.0)
<b>Total ARR - SaaS</b>	<b>27.7</b>	<b>20.7</b>	<b>33.3</b>

The Annual Recurring Revenues related to the SaaS division totalled € 27.7m, up by 33.3% YoY thanks to both organic growth (+19.0% YoY) and the consolidation of Contactlab. The business unit which grew the most was BEE, reaching ARR to the tune of € 8.4m, up by 61.2% YoY (\$ 9.2m, up by 51% YoY at constant FX), thanks to a combined increase in both volumes and usage. MailUp + Contactlab's ARR were € 14.8m, up by 31.9% YoY (5% YoY organically). It is worth remembering that this figure does not include SMS sales and Contactlab's Agency component. Datatics showed a further slight decline in ARR (-2.0% YoY), but with a tiny recovery compared to the value reported at the end of Mar-22 (+4.7%).

### CPaaS turnover soared by over 50% in Q2-22

€ m	Q2-22	Q2-21	% YoY	H1-22	H1-21	% YoY
Agile Telecom	16.4	10.7	52.4	30.7	21.5	43.0
<b>Total CPaaS Revenues</b>	<b>16.4</b>	<b>10.7</b>	<b>52.4</b>	<b>30.7</b>	<b>21.5</b>	<b>43.0</b>

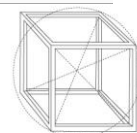
In Q2-22, the CPaaS division continues its skyrocketing revenue growth, posting € 16.4m, up by 52.4% YoY. In H1-22, the division grew by 43.0% YoY, totalling € 30.7m, confirming the recovery of SMS traffic following the reopening of economic activities.

### Reduction of the maximum earn-out to be paid to Datatics' selling shareholder

Growens' BoD approved an amendment to the investment agreement signed in 2018 with BMC Holding (i.e. Datatics' selling shareholder), with respect to the earn-out to be paid in 2023. The original agreement provided for an earn-out of € 3.0m to be paid through the assignment of Growens' newly issued shares valued at € 2.368/s. Given the changed scenario, the new agreement provides for an earn-out of € 2.0m, € 1.0m of which cash and € 1.0m through the assignment of Growens' newly issued shares valued at € 2.368/s. Considering the maximum earn-out, BMC Holding will own 6.6% of Growens. Finally, the BoD appointed Luca Azzali (one of the founders of Growens) as Corporate Development Director, in order to manage the group's development and the external growth strategy, while Massimo Fubini (the founder of Contactlab) will lead MailUp + Contactlab BU.

### Growens, key financials and ratios

€ m	2020	2021	2022e	2023e	2024e
Total Revenues	65.2	71.2	93.2	102.9	112.0
EBITDA	5.1	5.2	7.4	9.3	11.1
EBIT	1.4	1.1	1.9	3.8	5.6
Net profit	0.6	0.4	1.2	2.4	3.5
NFP (cash)/debt	(2.5)	(6.5)	(4.7)	(10.1)	(16.0)
EBITDA margin	7.8%	7.3%	7.9%	9.1%	9.9%
EBIT margin	2.1%	1.6%	2.1%	3.7%	5.0%
EPS €	0.04	0.02	0.08	0.16	0.23
EPS growth	-50.9%	-34.8%	220.5%	100.7%	47.1%
Free Cash Flow Yield	2.7%	6.7%	-0.8%	7.3%	8.0%
PER x	127.2	183.3	62.2	31.0	21.1
PCF x	16.8	15.2	11.1	9.4	8.2
EV/Sales x	1.06	0.86	0.74	0.62	0.51
EV/EBITDA x	13.6	11.7	9.3	6.8	5.2
EV/EBIT x	50.2	53.9	35.4	16.6	10.3



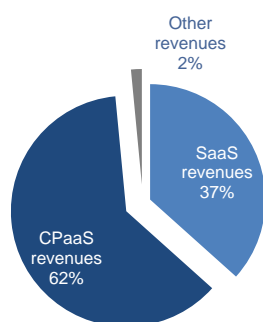
## The Company at a Glance

Founded in Cremona (Italy) in 2002 as an email service provider, Growens is now a leading international player in the Global 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 26,000 customers in more than 115 countries with a wide range of solutions. Growens operates two business divisions, spread across five synergic business units, corresponding to five different companies.

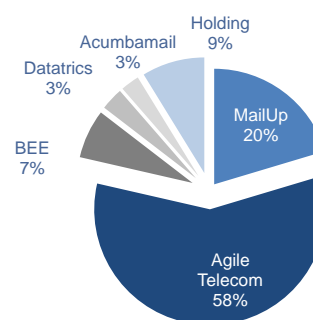
- The SaaS (Software-as-a-Service) division is characterised by subscription-based services supplied to customers via cloud platforms. It includes the following business units: MailUp, BEE, Datatrics and Acumbamail.
- The CPaaS (Communication-Platform-as-a-Service) division includes the Agile Telecom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

The group has been on a significant growth path since its establishment: set up as a start-up in 2002, 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 CAGR<sub>13-21</sub> of 33.2%, thanks to organic growth boosted by a few acquisitions.

## 2021 breakdown by business division...



## ... and by business unit



## Current shareholder structure

Shareholders	%	# m
Nazzareno Gorni	10.7%	1.61
Alberto Miscia	10.7%	1.61
Matteo Monfredini	10.6%	1.59
Luca Azzali	10.3%	1.55
Matteo Bettoni	10.1%	1.51
Pronti Gianluca	6.1%	0.91
BMC Holding B.V. *	3.9%	0.59
Ex Contactlab's shareholders *	1.3%	0.19
Treasury shares	0.3%	0.05
<b>Free Float</b>	<b>35.9%</b>	<b>5.38</b>
<b>Total</b>	<b>100.0%</b>	<b>14.97</b>

Source: Company data

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

## Peer group absolute performance

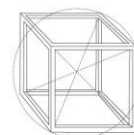
%	1D	1W	1M	3M	6M	YTD
<b>dotDigital Group PLC</b>	<b>(1.3)</b>	<b>11.1</b>	<b>(0.3)</b>	<b>(9.1)</b>	<b>(55.6)</b>	<b>(61.7)</b>
CM.com NV	(1.5)	8.7	7.4	(24.3)	(45.5)	(50.4)
Kaleya Inc	(3.5)	(1.3)	(6.4)	(60.7)	(75.0)	(78.1)
Link Mobility Group Holding	(2.5)	3.0	(7.3)	(22.6)	(26.4)	(39.0)
Sinch AB (publ)	(27.5)	(20.2)	(32.7)	(56.5)	(73.7)	(77.2)
<b>Mobile Messaging median</b>	<b>(3.0)</b>	<b>0.8</b>	<b>(6.8)</b>	<b>(40.4)</b>	<b>(59.6)</b>	<b>(63.8)</b>
HubSpot Inc	(4.4)	(6.8)	(0.8)	(35.7)	(44.4)	(55.7)
Neosperience SpA	(3.1)	(4.4)	(9.7)	(23.1)	(34.7)	(36.6)
<b>Predictive Marketing median</b>	<b>(3.8)</b>	<b>(5.6)</b>	<b>(5.3)</b>	<b>(29.4)</b>	<b>(39.6)</b>	<b>(46.1)</b>
<b>Growens SpA</b>	<b>0.0</b>	<b>5.7</b>	<b>9.5</b>	<b>(6.9)</b>	<b>(8.0)</b>	<b>(3.6)</b>

Source: Thomson Reuters Eikon

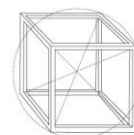
## Peer group multiples table

Price & EV multiples x	SALES FY1	SALES FY2	EBITDA FY1	EBITDA FY2	EBIT FY1	EBIT FY2	PER FY1	PER FY2
<b>dotDigital Group PLC (Email Marketing)</b>	<b>2.95</b>	<b>2.69</b>	<b>9.1</b>	<b>8.4</b>	<b>13.3</b>	<b>12.4</b>	<b>19.7</b>	<b>18.8</b>
CM.com NV	1.29	1.06	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
Kaleya Inc	0.63	0.47	7.1	5.2	n.m.	n.m.	n.m.	n.m.
Link Mobility Group Holding ASA	1.15	0.92	8.8	6.6	20.4	12.7	20.0	11.7
Sinch AB (publ)	1.13	0.91	9.8	6.9	18.8	11.3	42.5	14.1
<b>Mobile Messaging median</b>	<b>1.14</b>	<b>0.92</b>	<b>8.8</b>	<b>6.6</b>	<b>19.6</b>	<b>12.0</b>	<b>31.3</b>	<b>12.9</b>
HubSpot Inc	8.02	5.85	65.7	45.6	91.3	58.2	120.2	79.2
Neosperience SpA	2.18	1.51	6.7	5.0	26.4	13.3	48.9	21.8
<b>Predictive Marketing median</b>	<b>5.10</b>	<b>3.68</b>	<b>36.2</b>	<b>25.3</b>	<b>58.9</b>	<b>35.8</b>	<b>84.6</b>	<b>50.5</b>
<b>Growens SpA</b>	<b>0.74</b>	<b>0.62</b>	<b>9.3</b>	<b>6.8</b>	<b>35.4</b>	<b>16.6</b>	<b>62.2</b>	<b>31.0</b>

Sources: CFO SIM, Thomson Reuters Eikon



Income statement (€ m)	2020	2021	2022e	2023e	2024e
Total revenues	65.2	71.2	93.2	102.9	112.0
COGS	(43.9)	(47.4)	(61.5)	(67.7)	(73.4)
Gross Profit	21.4	23.8	31.7	35.2	38.6
Sales & Marketing	(6.4)	(7.3)	(9.8)	(10.5)	(11.2)
Research & Development	(2.9)	(3.2)	(4.2)	(4.6)	(5.0)
General costs	(7.0)	(8.1)	(10.3)	(10.7)	(11.3)
EBITDA	5.1	5.2	7.4	9.3	11.1
D&A	(3.7)	(4.1)	(5.5)	(5.5)	(5.5)
EBIT	1.4	1.1	1.9	3.8	5.6
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	1.9	3.8	5.5
Income taxes	(0.6)	(0.7)	(0.7)	(1.4)	(2.0)
Minorities	0.0	0.0	0.0	0.0	0.0
Net Profit	0.6	0.4	1.2	2.4	3.5
Net Profit adj.	0.6	0.4	1.2	2.4	3.5
Balance sheet (€ m)	2020	2021	2022e	2023e	2024e
Net Working Capital	(1.5)	(1.7)	(0.4)	(0.3)	(0.2)
Net Fixed Assets	27.1	26.9	28.2	25.7	23.2
Equity Investments	0.1	0.1	0.1	0.1	0.1
Other M/L Term A/L	(10.9)	(14.2)	(15.0)	(15.7)	(15.8)
Net Invested Capital	14.8	11.0	12.8	9.8	7.4
Net Financial Position	(2.5)	(6.5)	(4.7)	(10.1)	(16.0)
Minorities	0.0	0.0	0.0	0.0	0.0
Group's Shareholders Equity	17.3	17.5	17.5	19.8	23.3
Financial Liabilities & Equity	14.8	11.0	12.8	9.8	7.4
Cash Flow statement (€ m)	2020	2021	2022e	2023e	2024e
Total net income	0.6	0.4	1.2	2.4	3.5
Depreciation	3.7	4.1	5.5	5.5	5.5
Other non-cash charges	0.9	4.3	0.8	0.7	0.1
Cash Flow from Oper. (CFO)	5.2	8.7	7.4	8.6	9.0
Change in NWC	(0.2)	0.3	(1.3)	(0.2)	(0.1)
FCF from Operations (FCFO)	5.0	9.0	6.1	8.4	8.9
Net Investments (CFI)	(3.0)	(4.1)	(6.8)	(3.0)	(3.0)
Free CF to the Firm (FCFF)	2.0	4.9	(0.6)	5.4	5.9
CF from financials (CFF)	(1.0)	(1.4)	(1.3)	(0.0)	(0.0)
Free Cash Flow to Equity (FCFE)	0.9	3.5	(1.9)	5.4	5.9
Financial ratios	2020	2021	2022e	2023e	2024e
EBITDA margin	7.8%	7.3%	7.9%	9.1%	9.9%
EBIT margin	2.1%	1.6%	2.1%	3.7%	5.0%
Net profit margin	0.9%	0.5%	1.3%	2.3%	3.1%
Tax rate	53.0%	65.9%	37.0%	37.0%	37.0%
Op NWC/Sales	-2.3%	-2.4%	-0.5%	-0.3%	-0.1%
Interest coverage x	0.13	0.04	0.04	0.02	0.01
Net Debt/EBITDA x	(0.49)	(1.25)	(0.63)	(1.08)	(1.44)
Debt-to-Equity x	(0.15)	(0.37)	(0.27)	(0.51)	(0.68)
ROIC	3.8%	3.3%	9.2%	24.3%	47.5%
ROCE	5.1%	4.1%	6.9%	12.2%	16.1%
ROACE	5.1%	4.1%	7.0%	12.9%	16.9%
ROE	3.3%	2.1%	6.8%	12.0%	15.0%
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	14.97	14.97	14.97
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	0.07	0.14	0.21
EPS adjusted FD €	0.03	0.02	0.07	0.14	0.21
EBITDA €	0.29	0.30	0.44	0.56	0.67
EBIT €	0.08	0.07	0.11	0.23	0.34
BV €	0.99	1.01	1.06	1.20	1.41
FCFO €	0.29	0.52	0.36	0.51	0.54
FCFF €	0.11	0.28	(0.04)	0.33	0.36
FCFE €	0.05	0.20	(0.11)	0.33	0.36
Dividend €	0.00	0.00	0.00	0.00	0.00



## ANALYST CERTIFICATION

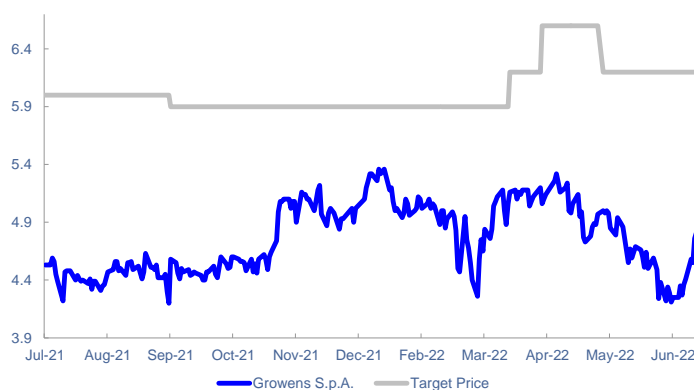
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DATE	TARGET PRICE	RATING
12/07/2022	€6.20	BUY
16/05/2022	€6.20	BUY
12/04/2022	€6.60	BUY
25/03/2022	€6.20	BUY
11/11/2021	€5.90	BUY
17/09/2021	€5.90	BUY
20/05/2021	€6.00	BUY

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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.

