

Growens

Sector: Marketing Technology



Analysts

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Back on 10%-15% growth pace

Growens is an integrated industrial group developing technologies for predictive marketing, mobile messaging and content creation, meant for organisations wishing to communicate effectively with their customers worldwide.

FY2021: Revenues and cash up, margins a bit short

FY2021 came in line with our FY21E expectations in terms of top line, while margins were slightly below estimates and Net Cash Position better than expected. We underline: 1) Low double-digit revenue increase of the core SaaS and CPaaS components, +10.2% and +10.1% y/y respectively; 2) EBITDA margin down y/y (7.3% margin as of FY2021 vs. 7.8% as of FY2020), slightly under expectations due to expenses in marketing and structure; 3) Net profit at €0.4mn (-35% y/y) burdened by apparently high tax rate that is the mere aggregation of single companies ones; 4) Better than expected Net Cash Position (€6.5mn) mainly due to the adoption of a new tax credit compensation criterion.

BEE grows impressively, Agile Telecom adds on top

Focusing on business units, we note:

- ◆ Top line: Agile Telecom (up €4.48mn y/y) and BEE (up 42.6% y/y, or +48% y/y if we take into account the y/y growth in US\$ terms) are growing at healthy pace;
- ◆ Profitability: 1) Agile T., BEE, Acumbamail had double-digit EBITDA margin increase; 2) Datatrics' operating loss was halved to €-0.4mn. By the way, all Business Units but for Agile T. recorded outstanding Gross Margin in the 55%-86% region.

On the corporate side many projects are under study, ranging from stock market uplisting, to possible M&A deals.

Estimates update

We are fine-tuning our 2022E-23E estimates as follows: 1) Stable Top Line forecasts; 2) Operating Profitability revised downwards and now growing in line with Revenues, (and not more than proportionally) at ca. 12%-15% CAGR_{21A-24E}; 3) Net Cash position revised upwards in 2022E to incorporate the positive dynamics on tax credits, collection of subsidised loans and good cash generation.

Fair value substantially confirmed

As far as valuation is concerned, we are updating our fully diluted Sum-of-the-Parts calculation at €6.26 per share (from €6.30). The higher and higher value of BEE is offset by unallocated holding costs.

Fair Value (€) 6.26

Market Price (€)(*) 5.06

Market Cap. (€m)(*) 75.8

KEY FINANCIALS (€m)	2021A	2022E	2023E
REVENUES	71.2	80.5	92.1
EBITDA	5.2	6.1	7.1
EBIT	1.1	2.1	3.1
NET PROFIT	0.4	1.3	2.0
EQUITY	17.5	18.8	20.8
NET CASH POS.	6.5	7.4	10.9
EPS ADJ. (€)	0.02	0.09	0.14
DPS (€)	0.00	0.00	0.00

Source: Growens (historical figures), Value Track (2021E-22E estimates)

KEY FINANCIALS (€m)	2021A	2022E	2023E
EBITDA MARGIN (%)	7.3	7.6	7.7
EBIT MARGIN (%)	1.6	2.7	3.4
NET DEBT / EBITDA (x)	nm	nm	nm
NET DEBT / EQUITY (x)	nm	nm	nm
EV/SALES (x)(*)	1.0	0.8	0.7
EV/EBITDA (x)(*)	13.3	11.0	9.0
EV/EBIT (x)(*)	61.2	31.6	20.5
P/E ADJ. (x)(*)	nm	59.4	37.4

Source: Growens (historical figures), Value Track (2021E-22E estimates)

STOCK DATA

FAIR VALUE (€)	6.26
MARKET PRICE (€)(*)	5.06
SHS. OUT. (m)	15.0
MARKET CAP. (€m)(*)	75.8
FREE FLOAT (%)	37.0
AVG. -20D VOL. (#)	12,315
RIC / BBG	GROW.MI / GROW IM
52 WK RANGE	3.81-5.48

Source: Stock Market Data

(*) Prices as of March 24th market close

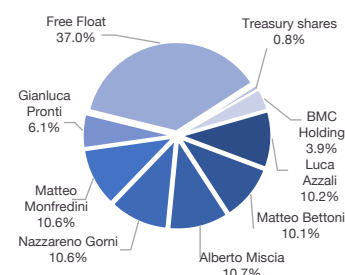


Business Description

Growens is a leading cloud based digital marketing technology hub currently offering its solutions to several thousand customers worldwide, with a consolidated expertise on small to medium-sized enterprises.

In greater detail, Growens is involved in the provisioning of email marketing services, delivery of mobile text messages (for both transactional and marketing purposes), email editing support, Predictive Marketing CDP and professional services to business clients.

Shareholders Structure



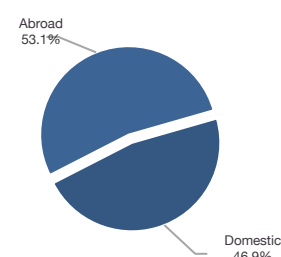
Source: Growens SpA

Key Financials

€mn	2021E	2022E	2023E	2024E
Total Revenues	71.2	80.5	92.1	101.3
Chg. % YoY	9.2%	13.0%	14.4%	10.0%
EBITDA	5.2	6.1	7.1	8.0
EBITDA Margin (%)	7.3%	7.6%	7.7%	7.9%
EBIT	1.1	2.1	3.1	4.1
EBIT Margin (%)	1.6%	2.7%	3.4%	4.0%
Net Profit	0.4	1.3	2.0	2.9
Chg. % YoY	-34.8%	nm	58.8%	41.3%
Adjusted Net Profit	0.4	1.3	2.0	2.9
Chg. % YoY	-34.8%	nm	58.8%	41.3%
Net Fin. Position	6.5	7.4	10.9	14.5
Net Fin. Pos. / EBITDA (x)	nm	nm	nm	nm
Capex	-4.1	-3.9	-4.0	-3.5
OpFCF b.t.	4.7	1.8	4.6	4.8
OpFCF b.t. as % of EBITDA	89.7%	28.7%	64.3%	60.6%

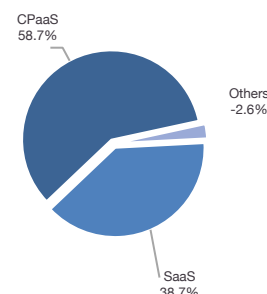
Source: Growens SpA (historical figures), Value Track (estimates)

FY2021 Revenues by geography



Source: Growens SpA

FY2021 Revenues by business line



Source: Growens SpA

Investment case

Strengths / Opportunities

- ◆ Full range of marketing technology services (SMS, email, email editor, CDP services, professional ones);
- ◆ Highly diversified customer base ranging from professional marketers to developers and to wholesalers both at a domestic and international level;
- ◆ Intense and effective R&D effort generating high-value opportunities.

Weaknesses / Risks

- ◆ Much smaller size if compared to Anglo-Saxons competitors;
- ◆ MarTech moves fast and Growens capability to keep up with the pace could be limited due to financial availabilities.

Stock multiples @ €6.26 Fair Value

	2022E	2023E
EV / SALES (x)	1.1	0.9
EV / EBITDA (x)	13.9	11.5
EV / EBIT (x)	39.9	26.2
EV / CAP.EMP. (x)	7.5	8.2
OpFCF Yield (%)	2.1	5.5
P / E (x)	73.5	46.3
P / BV (x)	5.0	4.5
Div. Yield. (%)	0.0	0.0

Source: Value Track

FY2021 results in line with our expectations

Growens FY2021 results came in substantially in line with our FY21E expectations, but for margins slightly below estimates and Net Cash Position well above our forecasts.

Growens: 2021E vs VT 2021A

	2021E	2021A	A vs. E - Δ(%)
Total Revenues	70.0	71.2	1.8%
EBITDA	5.5	5.2	-5.5%
<i>EBITDA margin (%)</i>	7.9%	7.3%	-57bps
EBIT	1.5	1.1	-24.5%
<i>EBIT margin (%)</i>	2.2%	1.6%	-66bps
Net Profit	1.0	0.4	-63.1%
Net Financial Position	2.6	6.5	150.8%

Source: Value Track Analysis

Key messages are as follows:

- ◆ **Total Revenues slightly higher than expected (€71.2mn vs €70.0mn est.),** driven by both core SaaS and CPaaS revenue components. Indeed:
 - **SaaS** component was up 10.2% y/y to €26.1mn, (36.6% incidence on total);
 - **CPaaS** component grew by 10.1% y/y to €44.1mn (61.9% incidence on total);
 - Other Revenues decreased to €1.1mn (-29.7% y/y) driven by the y/y reduction in non-refundable government grants and windfall profits.
- ◆ **EBITDA margin at 7.3% vs. our 7.9% estimate** due to: 1) Revenues mix, with higher CPaaS component and lower SaaS one; 2) Marketing and structure expenses “long tail”, which signs the end of Growens overinvestment phase (marketing, R&D, staff) and the beginning of a uniform revenues and margins growth;
- ◆ **Net profit affected by apparently very high tax rate,** deriving from the lack of accounting offsetting between subsidiary losses and group profit. The greater the loss of foreign subsidiaries, the lower the tax offset and this results in a higher “apparent” tax rate;
- ◆ **Net financial position above expectations:** thanks to the impact of tax credit compensation items.

SAAS BU: Main KPIs

KPI	MailUp	Datatricks	Acumbamail	BEE	Date
ARR (mn)	€15.5	€2.5	€1.86	US\$8.4	Dec 2021
ARR growth	+4.6%	-10.2%	+23.9%	53.7%	Dec 2021
Gross margin	67.2%	55.4%	85.6%	73.0%	FY2021
EBITDA margin	16.5%	-29.8%	24.9%	5.9%	FY2021
Net Revenue Retention	92.8%	75.0%	100.4%	113.0%	Dec 2021

Source: Growens, Press Release

CPAAS BU: Main KPIs

KPI	Value	Date
Revenues (mn)	€47.5	FY2021
EBITDA (mn)	€2.3	FY2021
# Sent messages (m)	2.009	FY2021

Source: Growens, Press Release

Focusing on business units and their KPIs, we note the following:

- ◆ **MailUp** Business Unit posted **slightly growing Revenues** (+5.9% y/y), which still suffers from the pandemic aftermath, reflected in the cancellation of a number of recurrent contracts during FY2021.
- ◆ **Agile Telecom** is the #1 Italian player in the A2P business with ca. 2bn messages sent annually and €43mn Revenues.
Compared to its size, **profitability is still a bit low** (4.8% EBITDA Margin), **but gradually increasing** (+57% EBITDA y/y) due to good signs of recovery from the second half of 2021. In November, AT achieved its highest historical Revenues ever recorded.
- ◆ **BEE** is the fastest growing Business Unit, with **Revenues up** +42.6% y/y (+48% y/y at constant EUR/USD exchange rate) and Annual Recurring Revenues (**ARR**) **exceeding US\$8.4mn level**.
The company stands with a **sky-scraping 73% Gross Margin level**, a sign that operating profitability at the EBITDA level is potentially very high and that it only depends on how much money the Group wants to devote to growth marketing;
- ◆ **Datatrix** Business Unit recorded **Revenues down** by -10.6% y/y, partly as an enduring effect of the pandemic on sectors such as Tourism and Leisure, and partly due to lower intercompany sales. Positive effects are expected from the launch of the freemium version of the platform in January and the release of important features in Q2.
- ◆ **Acumbamail** as well boasts a brilliant financial profile, with **increasing Revenues** by +34.0% y/y **and margins** by +52.6% y/y as well as **ARR exceeding €1.8 mn**.

Growens by Business Units: 2021A vs. 2020A

€mn	Revenues			EBITDA		
	FY21	FY20	Δ(%)	FY21	FY20	Δ(%)
MailUp	16.6	15.7	5.9%	2.6	4.3	-38.2%
Agile Telecom	47.5	43.0	10.4%	2.3	1.4	57.2%
BEE	5.6	3.9	42.6%	0.3	0.5	-34.1%
Datatrix	2.6	2.9	-10.6%	-0.9	-1.4	40.6%
Acumbamail	2.1	1.6	34.0%	0.5	0.3	52.6%
Holding	7.1	6.4	12.2%	0.1	-0.4	-113.3%
Total	81.5	73.4	11.0%	4.9	0.5	4.9%
Consolidation adj.	-10.3	-8.2				
IFRS 16 Effect				0.2	0.4	
Total	71.2	65.2	9.2%	5.2	5.1	2.2%

Source: Value Track Analysis

Estimates Update

We are fine-tuning our **2022E-23E estimates** as follows:

- ◆ Stable Top Line forecasts;
- ◆ Operating Profitability revised downwards and now growing in line with Revenues, and not more than proportionally;
- ◆ Net Cash position revised upwards in 2022E to incorporate some positive dynamics on tax credits, collection of subsidized loans and good cash generation.

Growens: New vs. Old 2022E-23E estimates

€mn	2022E			2023E		
	Old	New	Δ(%)	Old	New	Δ(%)
Total Revenues	80.5	80.5	0.0%	92.1	92.1	0.0%
EBITDA	6.9	6.1	-11.5%	8.3	7.1	-14.4%
<i>EBITDA Margin (%)</i>	8.6%	7.6%	-99bps	9.0%	7.7%	-130bps
EBIT	3.0	2.1	-29.6%	4.4	3.1	-29.4%
<i>EBIT Margin (%)</i>	3.8%	2.7%	-116bps	4.9%	3.4%	-146bps
Net Profit	2.1	1.3	-38.0%	2.9	2.0	-30.5%
Capex	-3.9	-3.9	0.0%	-4.0	-4.0	0.0%
OpFCF a.t.	3.2	0.9	-71.8%	4.3	3.5	-18.9%
Net Cash Position	6.6	7.4	12.7%	10.9	10.9	-0.0%

Source: Value Track Analysis

That said, our new 2022E-24E financial forecasts can be summarized as follows:

- ◆ **Revenues** – unchanged estimates, with total turnover likely to grow at double-digit pace (13.7% CAGR_{21A-24E}), moving from €71.2mn as of 2021A to ca. €101mn at the end of forecast period. SaaS revenues are expected to experience the highest annual growth rate (+20% y/y on average), while CPaaS revenues – mostly linked to Agile Telecom performance – are projected to increase mid-single digit per year. However, we expect a gradual rebound in 2022 Datatrics growth, following the launch of freemium commercial proposition.

Growens: 2021A-24E Revenues forecasts

(€mn)	2021A	2022E	2023E	2024E	CAGR 21A-24E
MailUp	16.6	18.0	19.2	20.0	6.4%
Agile Telecom	47.5	49.0	53.1	56.0	5.7%
Acumbamail	2.1	2.5	3.1	3.7	32.5%
BEE	5.6	7.2	9.6	11.8	44.4%
Datatrics	2.6	3.8	7.1	9.7	49.1%
Total Revenues	71.2	80.5	92.1	101.3	13.7%

Source: Value Track analysis

- ◆ **EBITDA** – revised downwards in order to take into account additional expenses in marketing and structure, but still expected to growth at a double digit pace (15.4% CAGR21A-24E);
- ◆ **EBIT** – projected to increase up to €4.1mn in 2024E.

Growens: P&L figures 2021A-24E

€mn	2021A	2022E	2023E	2024E
Total Revenues	70.0	80.5	92.1	101.3
COGS	-47.4	-55.4	-64.5	-70.5
Other Opex	-17.4	-18.9	-20.4	-22.8
EBITDA	5.2	6.1	7.1	8.0
EBITDA Margin (%)	7.4%	7.6%	7.7%	7.9%
Depreciation & Amortization	-3.9	-4.0	-4.0	-3.9
EBIT	1.3	2.1	3.1	4.1
Net Fin. Income (charges)	0.0	0.0	0.0	0.0
Pre-tax Profit	1.3	2.1	3.1	4.1
Taxes	-0.8	-0.8	-1.1	-1.2
Reported Net Profit	0.5	1.3	2.0	2.9

Source: Growens (historical figures), Value Track (forecasts)

Net Cash Position – revised upwards in FY 2022E to incorporate a higher 2021 year-end starting base supported by tax credit compensation effect. We expect Net Cash to reach €7.4mn in 2022E and to progressively improve up to €10.9mn by 2023E year-end.

Growens: Balance Sheet figures 2021A-24E

€mn	2021A	2022E	2023E	2024E
Net Working Capital	-12.9	-12.0	-13.1	-12.9
as (%) of Sales	-18.1%	-14.9%	-14.2%	-12.8%
Net Fixed Assets	27.1	27.0	27.0	26.6
Provisions	3.2	3.6	4.0	4.4
Total Capital Employed	11.0	11.4	9.9	9.2
Group Net Equity	17.5	18.8	20.8	23.7
Net Fin. Position [i.e. Net Debt (-) Cash (+)]	6.5	7.4	10.9	14.5

Source: Growens (historical figures), Value Track (forecasts)

Growens: Cash Flow figures 2021A-24E

€mn	2021A	2022E	2023E	2024E
EBITDA	5.2	6.1	7.1	8.0
Change in NWC	3.0	-0.9	1.0	-0.1
Capex	-4.1	-3.9	-4.0	-3.5
Change in Provisions	0.6	0.4	0.4	0.5
Cash Taxes	-0.7	-0.8	-1.1	-1.2
Net Financial Charges	0.0	0.0	0.0	0.0
Net Cash generated	4.0	0.9	3.5	3.6

Source: Growens (historical figures), Value Track (forecasts)

Valuation Update

Taking into account updated Growens financial forecasts, **we substantially confirm our S-O-P based fair value at €6.26 per share (from €6.30)**, that would imply 1.1x-0.9x EV/Sales and 13.9x-11.5x EV/EBITDA 2022E-23E multiples, still at deep discount vs. UK and US peers.

As far as the various components of S-O-P are concerned, compared to our previous reports we are moving BEE valuation up but the upward revision is totally offset by higher unallocated holding costs.

Growens: Sum-of-the-Parts valuation

Company	Stake (%)	EV (€mn)	EV (%)	Valuation Method
MailUp	100%	42.5	33.1%	1.7x EV/Sales '22 – 12.0x EV/EBITDA '22
Agile Telecom	100%	32.5	25.3%	1.0x EV/Sales '22 - 10.0x EV/EBITDA '22
Acumbamail	100%	7.0	5.4%	1.7x EV/Sales '22 - 15.0x EV/EBITDA '22
BEE	95.2%	36.6	28.5%	5.0x EV/ARR (Annual Recurring Revenue)
Datatics	100%	9.9	7.7%	4.0x EV/ARR (Annual Recurring Revenue)
Gross Asset Value		123.6	100.0%	
Group Net Cash Position 2022E		7.4		
€3.0mn Unallocat. holding costs @ 8.5% WACC		-35.3		
Net Asset Value (€mn)		100.7		
Fair equity value per share (€ p.s.)		6.26	(*)	

Source: Value Track Analysis (*) Based on 16.2mn fully diluted number of shares- 0.162treasury shares

Growens: Foreign Peers stock trading multiples

Company	EV / Sales			EV / EBITDA		
	2022E	2023E	2024E	2022E	2023E	2024E
HUBSPOT	11.9	9.2	7.3	nm	nm	nm
DOTDIGITAL	3.6	3.1	2.7	11.0	9.6	8.5
SALESFORCE	7.0	5.8	4.7	22.4	19.0	15.8
TWILIO	4.7	3.6	3.1	nm	nm	nm
D4T4 Solutions	3.6	3.2	nm	26.6	16.7	nm
Agillic	6.0	5.8	6.0	nm	nm	nm
Kaleyra Inc.	1.0	0.8	nm	11.6	8.8	nm
SINCH AB	2.5	2.1	nm	18.6	14.2	nm
Vonage Holdings	3.1	2.8	nm	20.9	18.7	nm
Total Average	4.8	4.0	4.8	18.5	14.5	12.2
Total Median	3.6	3.2	4.7	19.7	15.5	12.2
Growens Group	0.8	0.7	0.6	11.0	9.0	7.7

Source: Value Track Analysis

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