

Growens

Sector: Marketing Technology



Analysts

Marco Greco

+39 02 80886654

marco.greco@value-track.com

Luca Bernini

luca.bernini@value-track.com

2Q KPIs ok, Datatrics earn-out terms revised

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.

Business KPIs confirm a double-digit growth pace

Growens has released some business KPIs recorded as of June 2022:

- ARR (Annual Recurring Revenues, calculated as the sum of untermiated annual subscription and not including professional services, SMS traffic and other one-off services) of the SaaS business line stood at €27.7mn as of June 2022, (+33.3% y/y, we calculate +18.8% y/y on a 1-f-1 basis), with positive year-on-year change across all business units but for Datatrics, that is getting close to stabilization (-2.0% y/y in 2Q at €2.4mn, but +4.7% q/q) thanks to the reorganization process launched in 2021. We note that: 1) BEE kept recording the highest growth rate in the Group (+61% y/y), with ARR at €8.4mn; 2) Acumbamail confirmed a positive momentum with ARR at €2.0mn (+10% y/y, even if down from the +12% y/y of 1Q22); 3) MailUp+Contactlab recorded ARR at €14.8mn (+33% y/y) confirming a mid-single digit lfl y/y increase.
- Quarterly Gross Sales from CPaaS business line at €16.4mn in 2Q22 (+52.4%), with a strong acceleration QoQ (it was +41% y/y in 1Q22) confirming an important recovery of economic activities in 1H22.

Datatrics earn-out terms revised downwards

Growens has announced an amendment to Datatrics earn-out terms and will now pay €1mn cash and issue 422,297 new shares. Based on the "old" terms, Growens would have issued 1.27mn new shares. At current Growens market price the earn-out value moves from €6.1mn down to €3.0mn.

Estimates and fair value (€6.50) unchanged

Our 2022E forecasts are on a pro-forma basis taking into account Contactlab financials starting as of January 1st. That said, we are maintaining unchanged our 2022PFE-23E-24E estimates.

As far as valuation, the amendment of Datatrics earn-out adds some €0.27 value per share to Growens

However, we're not changing Growens Sum-of-the-Parts based fair value, set at €6.50 per share, as the market valuation of international peers has suffered steep price erosion in the latest few months, thus offsetting the value increase generated by Datatrics amended earn-out terms.

Fair Value (€) 6.50

Market Price (€) 4.84

Market Cap. (€m) 72.5

KEY FINANCIALS (€m)	2021A	2022PFE	2023E
REVENUES	71.2	93.5	108.1
EBITDA	5.2	7.0	8.8
EBIT	1.1	1.4	3.2
NET PROFIT	0.4	0.8	2.1
EQUITY	17.5	18.4	20.4
NET CASH POS.	6.5	1.2	6.1
EPS ADJ. (€)	0.02	0.07	0.14
DPS (€)	0.00	0.00	0.00

Source: Growens (historical figures), Value Track (2022E-23E estimates)

KEY FINANCIALS (€m)	2021A	2022PF	2023E
EBITDA MARGIN (%)	7.3	7.5	8.1
EBIT MARGIN (%)	1.6	1.5	3.0
NET DEBT / EBITDA (x)	nm	nm	nm
NET DEBT / EQUITY (x)	nm	nm	nm
EV/SALES (x)	0.9	0.8	0.6
EV/EBITDA (x)	12.7	10.5	7.8
EV/EBIT (x)	58.2	53.0	21.3
P/E ADJ. (x)	nm	67.1	34.8

Source: Growens (historical figures), Value Track (2022E-23E estimates)

STOCK DATA

FAIR VALUE (€)	6.50
MARKET PRICE (€)	4.84
SHS. OUT. (m)	15.0
MARKET CAP. (€m)	72.5
FREE FLOAT (%)	37.0
AVG. -20D VOL. (#)	12,315
RIC / BBG	GROW.MI / GROW IM
52 WK RANGE	4.10-5.48

Source: Stock Market Data

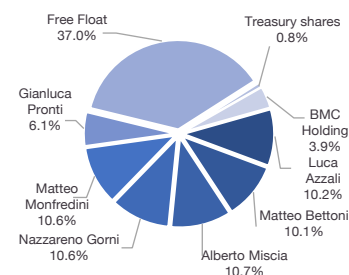


Business Description

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



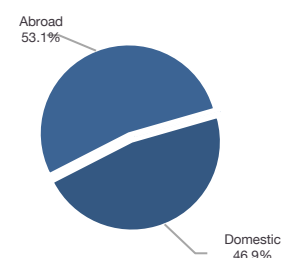
Source: Growens SpA

Key Financials

€mn	2021A	2022PFE	2023E	2024E
Total Revenues	71.2	93.5	108.1	120.3
Chg. % YoY	9.2%	31.3%	15.6%	11.3%
Reported EBITDA	5.2	7.0	8.8	10.2
EBITDA Margin (%)	7.3%	7.5%	8.1%	8.5%
Reported EBIT	1.1	1.4	3.2	4.7
EBIT Margin (%)	1.6%	1.5%	3.0%	3.9%
Reported Net Profit	0.4	0.8	2.1	3.3
Chg. % YoY	-34.8%	nm	nm	58.8%
Adjusted Net Profit	0.4	1.1	2.1	3.3
Chg. % YoY	-34.8%	nm	92.8%	58.8%
Net Fin. Position	6.5	1.2	6.1	10.0
Net Fin. Pos. / EBITDA (x)	nm	nm	nm	nm
Capex	-4.1	-4.2	-4.0	-5.1
OpFCF b.t.	4.7	0.8	6.0	5.3
OpFCF b.t. as % of EBITDA	89.7%	11.7%	68.6%	51.8%

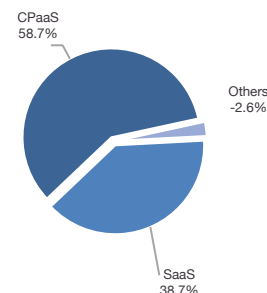
Source: Growens SpA (historical figures), Value Track (estimates)

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 @ €6.50 Fair Value

	2022PFE	2023E
EV / SALES (x)	1.0	0.9
EV / EBITDA (x)	14.1	10.6
EV / EBIT (x)	nm	29.1
EV / CAP.EMP. (x)	5.7	6.5
OpFCF Yield (%)	0.4	5.9
P / E (x)	90.2	46.8
P / BV (x)	5.5	5.3
Div. Yield. (%)	0.0	0.0

Source: Value Track

2Q22E KPIs

Growens: Evolution of SaaS Annual Recurring Revenue (ARR)

€mn	4Q20	1Q21	2Q21	4Q21	1Q22	2Q22	2Q22/2Q21
MailUp + Contactlab	11.0	11.1	11.2	11.5	11.6	14.8	31.9%
Acumbamail	1.5	1.7	1.8	1.9	1.9	2.0	10.4%
BEE	4.6	4.9	5.2	7.3	7.8	8.4	61.2%
Datatics	2.8	2.6	2.5	2.5	2.3	2.4	-2.0%
Total ARR - SaaS	19.9	20.3	20.7	23.2	23.6	27.7	33.3%

Source: Growens

Growens: Evolution of CPaaS Gross Sales

€mn	4Q20	1Q21	2Q21	4Q21	1Q22	2Q22	2Q22/2Q21
Agile Telecom	10.4	10.1	10.7	12.7	14.3	16.4	52.4%
Group	10.4	10.1	10.7	12.7	14.3	16.4	52.4%

Source: Growens

Datatics deal and Growens valuation

Back as of September 19th 2018 Growens announced the acquisition of the Dutch **SaaS Customer Data management Platform (CDP)** called **Datatics**, valued some €3.8mn, to be paid €2.24mn cash and €1.56mn by issuing new Growens shares, based on Growens average share price at the time.

The deal also included an earn-out of maximum €3mn to be paid entirely through maximum 1,266,891 newly issued shares (valued at 2018 market price i.e. €2,368) based on Datatics achieving undisclosed Revenues targets in 2019-2022 years.

Given the completely different evolution that Datatics has suffered in the latest couple of years, the earn-out has been amended and now Growens will pay €1mn cash and will issue 422,297 new shares.

At 2018 market price for Growens shares the earn-out value moves from €3mn down to €2mn. At current Growens market price the earn-out value moves from €6.1mn down to €3.0mn.

We calculate that the amendment of the earn-out adds some €0.27 value per share to Growens (€0.33 due to the lower number of shares to be issued, but €-0.065 for the €1mn cash to be paid). However, we're not changing Growens fair value, set at €6.50 per share, as the market valuation of international peers has decreased in the latest few months, so we are now applying 4.0x EV/ARR multiples for both BEE and Datatics while in our latest equity research we were applying 5.0x for BEE.

Growens: Sum-of-the-Parts valuation

Company	Stake (%)	EV (€mn)	EV (%)	Valuation Method
MailUp + Contactlab	100%	52.4	39.4%	1.7x EV/Sales '22 – 10.0x EV/EBITDA '22
Agile Telecom	100%	32.5	24.5%	1.0x EV/Sales '22 - 10.0x EV/EBITDA '22
Acumbamail	100%	6.3	4.7%	2.5x EV/Sales '22
BEE	95.2%	32.0	24.1%	4.0x EV/ARR (Annual Recurring Revenue)
Datatics	100%	9.7	7.3%	4.0x EV/ARR (Annual Recurring Revenue)
Net Cash Position 2022PFE		1.2		
Holding costs		-34.4		
Net Asset Value (€mn)		99.7		
Fair equity value per share (€ p.s.)		6.50		

Source: Value Track Analysis

Growens: P&L figures 2021A-24E

€mn	2021A	2022PFE	2023E	2024E
Total Revenues	71.2	93.5	108.1	120.3
COGS	-48.6	-64.6	-73.9	-81.8
Other Opex	-17.4	-22.0	-25.4	-28.3
EBITDA	5.2	7.0	8.8	10.2
EBITDA Margin (%)	7.3%	7.5%	8.1%	8.5%
Depreciation & Amortization	-4.1	-5.6	-5.6	-5.5
EBIT	1.1	1.4	3.2	4.7
Net Fin. Income (charges)	0.0	0.0	0.0	0.0
Pre-tax Profit	1.1	1.4	3.2	4.7
Taxes	-0.7	-0.5	-1.1	-1.4
Net Profit	0.4	0.8	2.1	3.3
Adjusted EBITDA	5.2	7.4	8.8	10.2
Adjusted EBIT	1.1	1.7	3.3	4.8
Adjusted Net Profit	0.4	1.1	2.1	3.3

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

Growens: Balance Sheet figures 2021A-24E

€mn	2021A	2022PFE	2023E	2024E
Net Working Capital	-12.9	-10.5	-11.2	-10.8
as (%) of Sales	-18.1%	-11.2%	-10.4%	-9.0%
Net Fixed Assets	27.1	31.3	29.7	29.3
Provisions	3.2	3.6	4.1	4.7
Total Capital Employed	11.0	17.2	14.3	13.8
Group Net Equity	17.5	18.4	20.4	23.7
Net Fin. Position [i.e. Net Debt (-) Cash (+)]	6.5	1.2	6.1	10.0

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

Growens: Cash Flow figures 2021A-24E

€mn	2021A	2022PFE	2023E	2024E
Reported EBITDA	5.2	7.0	8.8	10.2
Change in NWC	3.0	-2.4	0.7	-0.4
Capex	-4.1	-4.2	-4.0	-5.1
Change in Provisions	0.6	0.4	0.5	0.6
Cash Taxes	-0.7	-0.5	-1.1	-1.4
Net Financial Charges	0.0	0.0	0.0	0.0
Cash out for M&A deals	0.0	-5.6	0.0	0.0
Net Cash generated	4.0	-5.3	4.9	3.9

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

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