

Growens

Sector: Marketing Technology

3Q22: Higher profitability, lower cash

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.

Key messages from 3Q22

Growens 3Q recorded the following trends: 1) Revenues growing, yet mainly due to Agile Telecom's increased sales (which are highly volatile) and the consolidation of Contactlab; 2) Good signs of recovery on profitability, as EBITDA 3Q22 equals all that previously achieved in 1H22; 3) Agile Telecom's positive momentum goes hand in hand with an unfavourable working capital evolution that has burdened the Net Financial Position.

Sales up 48.2% y/y, Profitability upturn vs. 1H22

9M22 consolidated revenues stood at €75.7mn (+48.2% y/y, +40% l-f-l), with both SaaS and CPaaS strongly up (+61.9% and +65.5% y/y), as well as Other Revenues (+40.7% y/y).

Agile Telecom recorded the biggest growth in absolute value, (Sales at €50.9mn, +51.2% y/y), driven by new strategic client acquisition and foreign business, while BEE recorded the highest percentage growth rate (Sales at €6.4mn, +64.6% y/y driven by a healthy increase in volume, with ARR exceeding USD\$10mn at the end of 3Q).

Acumbamail kept performing well (Sales at €1.8mn, +25.4% y/y), MailUp + Contactlab's revenues stood at €17.1mn, facing a +38.5% y/y growth rate (+5% l-f-l).

Only Datatrics recorded negative growth rate (Sales at €1.8mn, -5.6% y/y) and its performance makes the need for a cost optimization process.

9M22 Gross Profit Margin stood at 27.9% (34.3% in 9M21), while EBITDA was down -20.7% to €2.8mn, but €1.4mn was posted in 3Q22, underlining a strong rebound in profitability, despite: 1) lower Cpaas line profitability; 2) higher S&M costs supporting BEE growth; 3) One-off costs related to the acquisition of Contactlab.

Lastly, Net Cash Position was €0.85mn, decreasing versus the previously recorded €1.0mn as of end of June 2022, with the change mainly attributable to Agile Telecom's growth.

2022E-24E estimates and €6.00 fair value confirmed

We confirm our 2022E-24E financial forecasts and fair equity valuation at €6.00 p/s obtained with a Sum of the Parts valuation. At fair value, shares would trade at 0.7x EV/Sales and 12.6x EV/EBITDA for 2023E.



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Fair Value (€) 6.00

Market Price (€) 4.29

Market Cap. (€m) 66.6

KEY FINANCIALS (€m)	2021A	2022PFE	2023E
TOTAL REVENUES	71.2	106.1	119.9
EBITDA	5.2	4.5	7.0
EBIT	1.1	-0.8	0.6
NET PROFIT	0.4	-0.9	0.5
NET PROFIT ADJ.	0.4	-0.5	0.5
EQUITY	17.5	16.6	17.0
NET FINANCIAL POS.	6.5	0.5	3.6
EPS ADJ. (€)	0.02	-0.03	0.03

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

KEY RATIOS (€m)	2021A	2022PF	2023E
EBITDA MARGIN (%)	7.3	4.2	5.8
EBIT MARGIN (%)	1.6	nm	0.5
NET DEBT / EBITDA (x)	nm	nm	nm
NET DEBT / EQUITY (x)	nm	nm	nm
EV/SALES (x)	0.8	0.6	0.5
EV/EBITDA (x)	11.1	14.6	8.9
EV/EBIT (x)	nm	nm	nm
P/E ADJ. (x)	nm	nm	nm

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

STOCK DATA

FAIR VALUE (€)	6.00
MARKET PRICE (€)	4.29
SHS. OUT. (m)	15.4
MARKET CAP. (€m)	66.1
FREE FLOAT (%)	37.0
AVG. -20D VOL. (#)	5,133
RIC / BBG	GROW.MI / GROW IM
52 WK RANGE	3.95-5.48

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.

Key Financials

€mn	2021A	2022PFE	2023E	2024E
Total Revenues	71.2	106.1	119.9	132.7
Chg. % YoY	9.2%	48.9%	13.0%	10.7%
EBITDA	5.2	4.5	7.0	8.0
EBITDA Margin (%)	7.3%	4.2%	5.8%	6.0%
EBIT	1.1	-0.8	0.6	1.5
EBIT Margin (%)	1.6%	-0.8%	0.5%	1.1%
Net Profit	0.4	-0.9	0.5	1.1
Chg. % YoY	-34.8%	-356.9%	-147.6%	nm
Adjusted Net Profit	0.4	-0.5	0.5	1.1
Chg. % YoY	-34.8%	-228.0%	-195.5%	nm
Net Fin. Position	6.5	0.5	3.6	6.0
Net Fin. Pos. / EBITDA (x)	nm	nm	nm	nm
Capex	-4.1	-4.2	-4.0	-5.5
OpFCF b.t.	4.7	-0.3	3.3	2.8
OpFCF b.t. as % of EBITDA	89.7%	-6.8%	46.5%	35.2%

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

Investment case

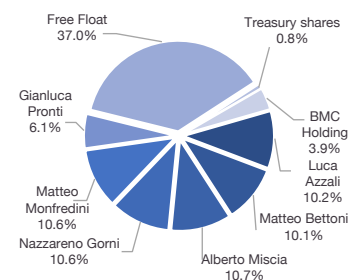
Strengths / Opportunities

- ◆ 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

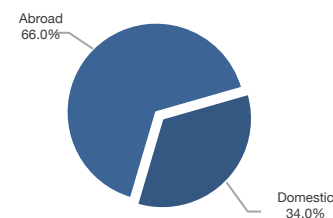
- ◆ Much smaller size if compared to Anglo-Saxons competitors;
- ◆ MarTech moves fast and Growens capability to keep up with the pace could be limited due to financial availabilities.

Shareholders Structure



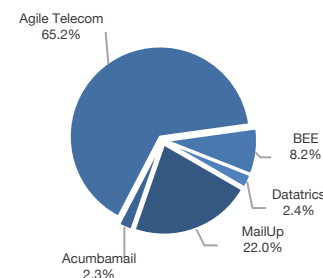
Source: Growens SpA

9M22 Revenues by geography



Source: Growens SpA

9M22 Revenues by business line



Source: Growens SpA

Stock multiples @ €6.00 Fair Value

	2022E	2023E
EV / SALES (x)	0.9	0.7
EV / EBITDA (x)	20.3	12.6
EV / EBIT (x)	nm	nm
EV / CAP.EMP. (x)	5.7	6.6
OpFCF Yield (%)	nm	3.7
P / E (x)	nm	nm
P / BV (x)	5.4	5.3
Div. Yield. (%)	0.0	0.0

Source: Value Track

3Q-9M22 figures at a glance

Growens: 3Q/9M Key financials

€mn	3Q21	3Q22	Δ y/y (%)	9M21	9M22	Δ y/y (%)
Total Revenues	17.4	28.5	64.0%	51.1	75.7	48.2%
o/w SaaS	6.3	10.2	61.9%	18.8	27.1	44.1%
CPaaS	10.9	18.1	65.5%	31.7	47.9	51.2%
Other	0.2	0.2	40.7%	0.6	0.7	14.7%
Gross Profit	6.0	8.0	33.4%	15.4	17.6	14.3%
Gross Margin (%)	34.30%	27.90%		30.14%	23.25%	
EBITDA	1.1	1.5	27.6%	3.6	2.8	-20.7%
EBITDA Margin (%)	10.50%	8.10%		11.23%	5.89%	

Source: Growens

Growens: 9M Sales and EBITDA breakdown by Business Units

€mn	Sales			EBITDA		
	9M21	9M22	Δ y/y (%)	9M21	9M22	Δ y/y (%)
MailUp	12.4	17.1	38.5%	2.2	1.92	-12.0%
Agile Telecom	33.7	50.9	51.2%	1.7	1.37	-19.5%
BEE	3.9	6.4	64.6%	0.1	0.67	384.9%
Datatics	1.9	1.8	-5.6%	-0.7	-1.30	81.4%
Acumbamail	1.5	1.8	25.4%	0.3	0.31	-3.9%
Holding	4.7	7.3	53.7%	-0.3	-0.32	-2.6%
Total	58.0	85.3	47.0%	3.3	2.65	-19.7%
Consol. Adj.	-6.9	-9.6	38.6%	0.3	0.17	-33.1%
Group	51.1	75.7	48.2%	3.6	2.82	-20.7%

Source: Growens

Growens: Main SaaS KPIs

	MailUp +Contactlab	Datatics	Acumbamail	BEE	Time Ref.
ARR (€ mn)	14.9	2.3	2.1	10.1	Sep 22
ARR growth (%)	+32%	-4%	+18%	+33%	Sep 22
Gross margin (%)	62%	48%	86%	71%	H1 22
EBITDA margin (%)	11%	-69%	14%	10%	Q3 22
Net Revenue Retention (%)	95%	82%	92%	111%	Sep 22

Source: Growens

Estimates Update

We are maintaining substantially unchanged our 2022E-24E estimates. Indeed:

- ◆ **Top line revised slightly upward**, considering Agile Telecom's better than expected stance that more than offsets MailUp+Contactlab's lower contribution and;
- ◆ **Operating Profitability unchanged in absolute terms**, to take into account the lower Gross Margin mix due to higher Agile Telecom contribution and lower MailUp+Contactlab's one.

Growens: New vs. Old estimates

€mn	2022E			2023E			2024E		
	Old	New	Δ(%)	Old	New	Δ(%)	Old	New	Δ(%)
Total Revenues	100.1	106.1	6.0%	113.8	119.9	5.4%	126.2	132.7	5.2%
Adjusted EBITDA	5.3	5.31	0.0%	7.0	7.0	-4.3%	8.0	8.0	0.0%
Reported EBITDA	4.5	4.5	0.0%	7.0	7.0	-4.3%	8.0	8.0	0.0%
EBITDA Margin (%)	4.5%	4.2%	-30bps	6.3%	5.8%	-50bps	6.3%	6.0%	-30bps
EBIT	-1.1	-0.8	nm	0.6	0.6	0.0%	1.5	1.5	0.5%
EBIT Margin (%)	-1.1%	-0.8%	nm	0.7%	0.5%	-20bps	1.2%	1.1%	-10bps
Net Profit	-0.6	-0.9	nm	0.5	0.5	0.0%	1.1	1.1	0.0%
Adjusted Net Profit	0.0	-0.5	nm	0.5	0.5	0.0%	1.1	1.1	0.0%
Capex	-4.2	-4.2	0.0%	-4.0	-4.0	0.0%	-3.5	-3.5	0.0%
Net Cash Position	0.5	0.5	nm	4.5	3.6	-20%	6.8	6.0	-11%

Source: Value Track Analysis

Growens: 2021A-24E Revenues forecasts

(€mn)	2021A	2022E	2023E	2024E	CAGR 21-24
MailUp+ Contactlab	16.6	24.0	28.2	32.0	24.5%
Agile Telecom	47.5	69.0	75.0	80.0	19.0%
Acumbamail	1.6	2.4	3.1	3.7	32.5%
BEE	3.9	8.3	10.5	13.0	49.2%
Datatics	2.5	2.4	3.1	4.0	16.5%
Consolidation Adj.	-0.9	0.0	0.0	0.0	-100.0%
Total Revenues	71.2	106.1	119.9	132.7	23.1%

Source: Value Track analysis

Growens: P&L figures 2021A-24E

€mn	2021A	2022PFE	2023E	2024E
Total Revenues	71.2	106.1	119.9	132.7
COGS	-48.6	-74.0	-83.2	-92.9
Labour Costs	-17.4	-27.6	-30.0	-31.8
Reported EBITDA	5.2	4.5	6.7	8.0
EBITDA Margin (%)	7.3%	4.2%	5.6%	6.0%
Depreciation & Amortization	-4.1	-5.3	-6.4	-6.5
EBIT	1.1	-0.8	0.6	1.5
Net Fin. Income (charges)	0.0	0.1	0.1	0.1
Pre-tax Profit	1.1	-0.7	0.7	1.6
Taxes	-0.7	-0.2	-0.2	-0.5
Net Profit	0.4	-0.9	0.5	1.1
Adjusted Net Profit	0.4	-0.5	0.5	1.1

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

Growens: Balance Sheet figures 2021A-24E

€mn	2021A	2022PFE	2023E	2024E
Net Working Capital	-12.9	-11.7	-11.4	-11.0
Net Fixed Assets	27.1	31.5	29.1	28.1
Provisions	3.2	3.7	4.3	5.0
Total Capital Employed	11.0	16.1	13.4	12.1
Group Net Equity	17.5	16.6	17.0	18.2
Net Fin. Position [i.e. Net Debt (-) Cash (+)]	6.5	0.5	3.6	6.0

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

Growens: Cash Flow figures 2021A-24E

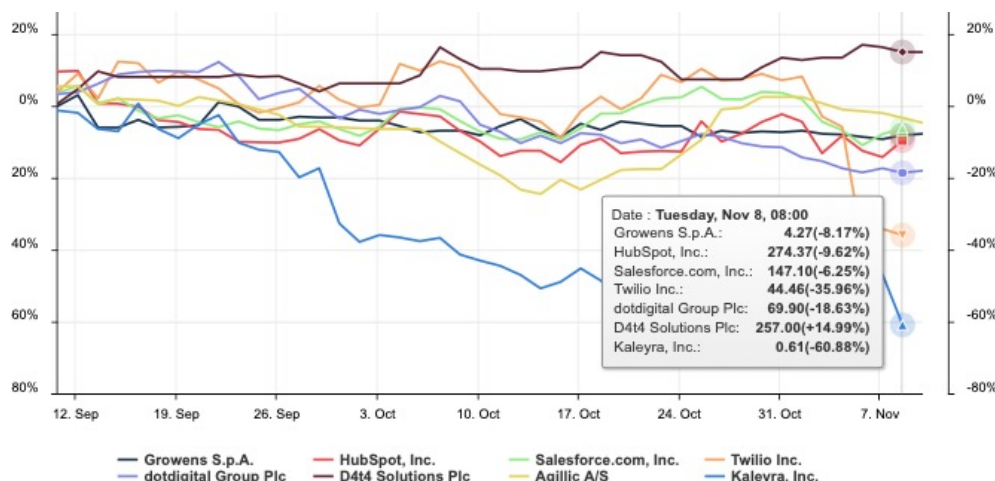
€mn	2021A	2022PFE	2023E	2024E
Reported EBITDA	5.2	4.5	7.0	8.0
Change in NWC	3.0	-1.2	-0.3	-0.3
Capex	-4.1	-4.2	-4.0	-5.5
Change in Provisions	0.6	0.6	0.6	0.6
Cash Taxes	-0.7	-0.2	-0.2	-0.5
Cash out for M&A deals	0.1	-5.6	0.0	0.0
Net Cash generated	4.0	-6.0	3.1	2.4

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

Valuation update

The stance of international tech stocks has remained pretty weak since our latest report on Growens published back as of September, with D4t4 being the only stock rebounding and Kaleyra being heavily down. Growens shares have performed slightly better than average, but in absolute terms the performance is negative.

Growens: Last two months stock performance vs. comparables



Source: Market Screener

Taking into account our substantially unchanged 2022E-24E financial forecasts, we confirm Sum-of-the-Parts based **Growens fair value at €6.00 per share**, based on the following key updated assumptions:

- ◆ Slight downward revision of MailUp+Contactlab valuation;
- ◆ Slightly higher valuation for Agile Telecom;
- ◆ Unchanged valuation for Bee, Acumbamail and Datatrics.

Growens: Sum-of-the-Parts valuation

Company	Stake (%)	EV (€mn)	EV (%)	Valuation Method
MailUp + Contactlab	100%	34.4	27.1%	1.7x EV/Sales '22 - 10.0x EV/EBITDA '22
Agile Telecom	100%	38.6	30.4%	1.0x EV/Sales '22 - 10.0x EV/EBITDA '22
Acumbamail	100%	6.0	4.7%	2.5x EV/Sales '22
BEE	95.2%	38.1	30.0%	4.0x EV/ARR (Annual Recurring Revenue)
Datatrics	100%	9.7	7.7%	4.0x EV/ARR (Annual Recurring Revenue)
Net Cash Position 2022PFE		0.2		
Holding costs		34.6		
Net Asset Value (€mn)		92.4		
Fair equity value per share (€ p.s.)		6.00		

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