

## Due Diligence and Valuation Report

Arrowhead code:	75-03-07
Coverage initiated:	04-Jun-2021
This document:	12-Dec-2022
Fair share value bracket	€6.76 to €8.26
Share Price (9 Dec):	€4.16

### Analyst Team

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### Market Data

52-Week Range:	€3.71 - €5.40
3-Month Average Daily Volume:	4,733
Market Cap. on date:	€63.1 million

### Financial Forecast (in €) (FY Ending – Dec)

	'22P	'23P	'24P	'25P	'26P
NI (mn)	0.9	4.4	7.2	9.9	12.0
EPS	0.06	0.29	0.47	0.64	0.78

### Company Overview

Growens S.p.A. (“Growens” or “the Group”, previously MailUp S.p.A.) is a Milan, Italy-based vertically integrated Cloud Marketing Technologies (“MarTech”) sector player. The Group offers a wide range of solutions, focusing on messaging, as well as data-driven and omnichannel marketing automation.

The Group has 5 key business units - MailUp + Contactlab, Agile Telecom (“Agile”), BEEfree.io, Datatrics, and Acumbamail, and generates revenue from email, SMS, predictive marketing, and do-it-yourself content design products.

### Key Highlights

1. Growens has followed an inorganic growth strategy with an aim of becoming a one-stop-shop for technology-driven marketing solutions. The Group has made six acquisitions since 2015 to bring more products and services under its umbrella. The Group’s most recent acquisition is Contactlab, which it completed in May 2022.
2. Agile Telecom is the Group’s largest business with 370+ direct connections with mobile carriers worldwide. It sends ca. two billion SMSs each year, including almost half of all marketing and transactional messages in Italy. Growens is now focusing on Agile’s margin improvements.
3. BEE is likely to be Growens’ principal growth driver going forward, with significant growth expected in



Company:	Growens S.p.A.
Ticker:	BIT: GROW
Headquarters:	Milan, Italy
CEO:	Nazzareno Gorni
Website:	<a href="http://www.growens.io">www.growens.io</a>

the coming years. The Group believes that BEE is self-financing and can grow rapidly without significant external capital.

### Key Strengths

Growens’ most significant competitive advantage is Agile’s large client base and telecom operator relationships that have helped it build a dominant and defensible business in Italy. Agile’s transactional SMS business has strong a correlation with online shopping activity, which has been experiencing a secular growth trend and continued its momentum even as other businesses slowed due to Covid.

Additionally, BEE is rapidly emerging as a leading player in the innovative, fast-growing addressable market for content design. The Group holds a prominent position in MarTech solutions in Italy, driven by MailUp (#1 in Italy), Contactlab (#3 in Italy), and a synergetic and complementary product and client portfolio.

### Key Risks

Growens operates in a fairly competitive market environment. The number of MarTech applications available in the market has increased sharply from 150 in 2011 to approximately 9,932 at present. The Group faces the key challenge of continually developing itself to offer differentiated offerings in the market. While this remains a key risk, the Group continues to invest considerable time and money towards its research and development initiatives.

### Valuation & Assumptions

Based on its due diligence and valuation estimates, Arrowhead believes that Growens’ fair share value lies in the €6.76 to €8.26 bracket, which has been calculated using a blended valuation method, with 50% weighting to a DCF method and 50% weighting to a Comparable Companies Valuation method. Our DCF model suggests a fair value of €10.31, while a relative valuation provides a fair value of €4.70.

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## Investment Thesis

Arrowhead is updating its equity research coverage of Growens S.p.A. ("Growens") with the following investment highlights:

### ***Agile's cashflow to continue funding the Group's growth even as its growth plateaus***

Agile Telecom currently generates 60%+ of the Group's revenue. The company reported a 51.2% YoY revenue growth in the first 9 months of 2022 after a period of relatively slow growth in FY'2020 and FY'2021. This strong revenue growth is attributable to the onboarding of large commercial clients. The acquisition of those clients led to lower profit margins YoY in the first 9 months of 2022 as the company offered them attractive terms. The company is now focusing on marketing its platform to onboard customers and invest the cashflow generated in the growth of other business units, given the relatively large size of Agile, in terms of revenue contribution, compared to other business units. In Q3'2022, the Group's CPaaS revenues were €18.1 million, showing a 65.5% increase over Q3'2021. We expect Agile's revenue growth to be considerably slower over the medium and long term as the Group does not plan to invest materially in Agile's topline growth in the next few years, instead, the company plans to invest aggressively in marketing initiatives.

Despite a possible diminishing growth potential, Agile is likely to continue being the top cash generator over the coming years and be the principal source of growth capital for the Group's other companies. Agile is working on its SS7 protocol technology with the expectation of increasing margins slightly. The Group is also experimenting with the feasibility of licensing some of Agile's proprietary internal tools to other service providers using APIs. If these experiments are successful, Growens will be able to add a further revenue stream to Agile and its CPaaS business line.

In addition to financing other group companies' organic growth initiatives, cash flows from Agile will also be critical to generate enough acquisition capital as the Group plans to continue growing aggressively through acquisitions and swiftly transitioning from a CPaaS-dominated business to a SaaS-dominated business.

### ***BEE to be the next star in Growens' portfolio***

While Growens has primarily grown through acquisitions, BEE is Growens' home-bred tech startup, based in San Francisco, CA. BEE is a design platform that aims to help non-designers design high-impact marketing materials (such as landing pages, marketing emails, brochures, popups, restaurant menus, etc.) with ease. It also has features that help professional designers improve the quality and efficiency of their output. The platform relies on a freemium offering that end users can access directly (BEE Free and BEE Pro) as well as through plugins (BEE Plugin) to some leading third-party software. BEE generated €5.5 million revenues in 2021 against €3.7 million in 2020, translating to a YoY growth of 48.0% at a constant EUR/USD exchange rate. BEE experienced the fastest growth in H1'2022 as a result of its freemium model, which has boosted client acquisition and customer retention. In Q3'2022, the growth remained strong, with revenues growing by 60.5% YoY, at €6.4 million in the first 9 months of 2022. BEE is expected to gain more enterprise clients because of this strategy as a result of increased adoption of the freemium model as more customers get to try the product for free. The company reported an ARR of USD 10 million in September 2022. Growens expects BEE to become its flagship business going forward and continue growing significantly to become a €10 million to €15 million sales business in the next three to five years.

BEE Pro primarily generates its revenues from individual subscription packages, most of which are bought by individual practitioners or corporate employees. Since these packages have a low price point, BEE is working on strategies that can help it promote sales of larger enterprise-wide packages. Pursuant to this approach, BEE is adapting its offerings to match corporate requirements as well as developing a sales and marketing structure that can increase corporate engagement.

### ***Developing new capabilities, features, and revenue streams through R&D push***

Growens has a well-laid-out R&D plan for the coming years that prioritizes the capabilities that the Group plans to invest in. These capabilities include Chat, Analytics, Content Collaboration, and Content Validation. The Group will also focus on rapidly growing BEE's library of pre-designed templates, as well as content and design elements, as it works towards becoming the global leader in democratizing content development – a \$41 billion industry that is expected to serve over 4.7 billion design users by 2023. The Group's R&D priorities also include identifying ways to increase Agile's contribution to CPaaS revenues by developing API-based offerings and identifying ways to expand Agile's margins by making technological adjustments and better leveraging its real-time, automatic testing capabilities.

### ***Focus on inorganic growth to continue***

Growens' immediate strategic focus is on scaling BEE massively over the coming years. In addition to building a strong marketing team for this, the Group is focusing on constantly expanding its library of templates and adding new design features. In addition to these initiatives, the Group plans to continue focusing on acquiring new businesses that complement or expand the existing businesses, especially BEE. In April 2022, Growens signed a binding agreement to acquire Contactlab S.p.A., an Italian company that owns a proprietary digital marketing platform. The Group closed the acquisition in May 2022.

## Company Presentation

Growens S.p.A. (“Growens” or “the Group”, previously MailUp S.p.A.) is a vertically integrated Cloud Marketing Technologies (“MarTech”) business operating in two business lines: CPaaS, represented by a leading SMS technology company, Agile Telecom, and SaaS made up of four businesses in the areas of Marketing Analytics, Content Design, and Multi-Channel Marketing Automation. The Group has expanded its scope of services and market presence through an aggressive inorganic growth strategy since its early days. The Group has acquired six companies since 2015 including Contactlab S.p.A. (its most recent acquisition), an Italian company which owns a proprietary digital marketing platform and serves 330 clients including Scalo Milano, Christian Dior, Eataly, SanPellegrino, etc. Growens’ other acquisitions include Acumbamail (Spanish market and Latin America), Globase (Nordics market), Agile Telecom (SMS wholesale market), and Datatrics (artificial intelligence).

The Group currently focuses on the development and sale of:

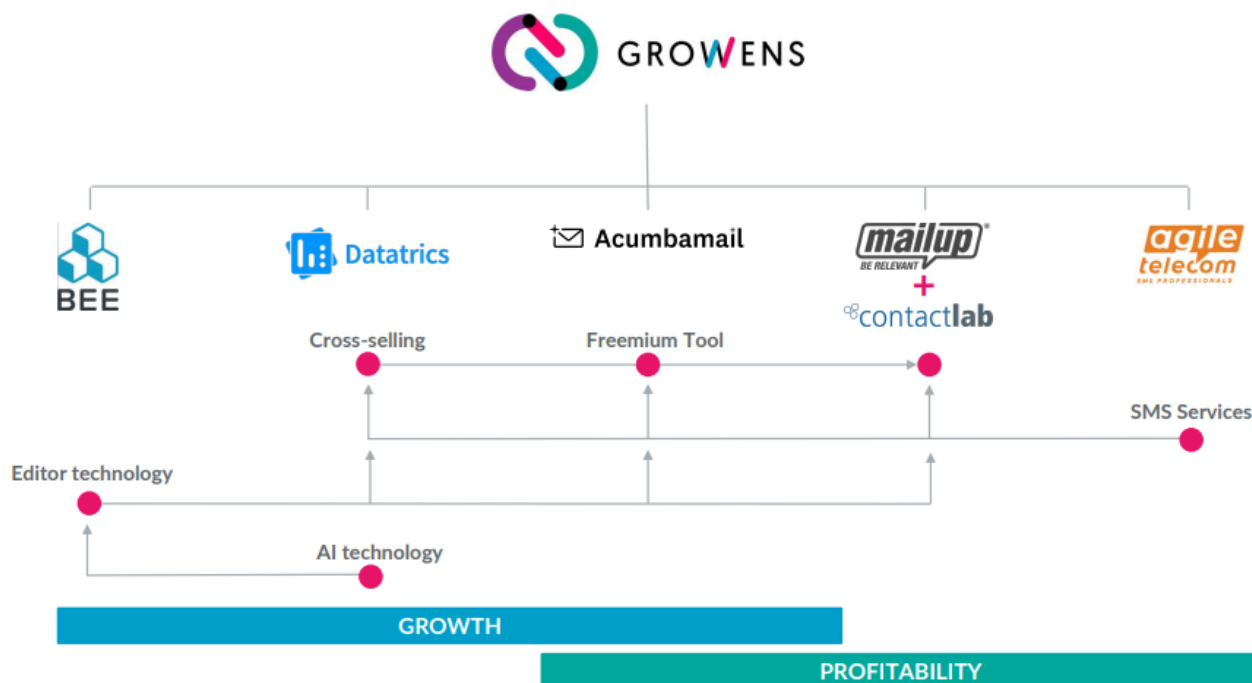
1. Technologies for the mass sending of emails and mobile messaging, particularly through the SMS channel, for marketing and transaction purposes
2. Sophisticated email and newsletter editing tools
3. Innovative solutions in marketing technologies (Predictive Marketing)
4. Professional consulting services

These focus areas strategically tie up with the SaaS multi-channel campaign management platform developed by the parent company Growens S.p.A., formerly MailUp S.p.A., under the brand MailUp (“MailUp”). This platform helps smoothly manage campaigns through email, newsletter, SMS, and messaging apps.

At a consolidated level, Growens serves over 26,000 customers across 115+ countries. It has a global presence with offices in three continents and a staff of over 450 employees. In 2014, the holding company’s ordinary shares got admitted to trading on the Euronext Growth Milan (formerly AIM Italia market) operated by Borsa Italiana (Italian Stock Exchange) with the ticker MAIL and changed the ticker to GROW after changing the business name to Growens in 2021. Growens’ group structure is as follows:

### Business Description

Growens has five business units – MailUp + Contactlab, Agile Telecom, Datatrics, BEEfree.io, and Acumbamail. Starting H1’2021, the Group categorizes the revenues from these business units as SaaS and Communication-Platform-as-a-Service (“CPaaS”) revenues. Agile Telecom’s revenues are categorized as CPaaS revenues while all other business units’ revenues combined are categorized as SaaS revenues. The following image shows the Group’s business:



### Agile Telecom

Agile is an SMS gateway that helps companies deliver Marketing and Transactional SMSs to users throughout Italy and Europe through its internally developed SS7 protocol technology (carrier-grade standard for voice and text).

Agile’s Transactional Messages service comprises authentication messages such as one-time passwords (“OTP”) that are necessary for the successful completion of digital payments, money transfers, and multiple authentication factors. Marketing Messages comprise ‘drive-to-store’ messages, primarily from restaurants and brick-and-mortar retail stores. These are essentially marketing messages advising potential customers of sales, special offers, new products, etc.

Agile essentially acts as a wholesaler that acquires dispatch power or SMS credits from telecom companies and uses them to send SMSs on behalf of companies and other SMS aggregators. The delivery is entirely managed by the company’s technology engine with limited human support. The choice of carrier for each SMS campaign depends on credit balance, network strength, etc. Unlike many of its competitors, Agile does not use external software developed by Oracle, CISCO, etc. but relies on a proprietary technology instead.

Agile serves 300+ wholesale clients, sends approximately 2 billion SMSs per year, and contributes over 60% of Growens’ total revenues. Almost equal parts of Agile’s revenue come from Marketing and Transactional SMSs. However, most of its profit comes from Transactional Messages since these are high-price, high-margin time-sensitive messages. Marketing Messages, by contrast, are high-volume, low-margin offerings.

**Market Leader in Italy and Europe:** Agile is the industry leader in Italy and one of the largest SMS delivery service providers in Europe. Agile has 370+ direct connections with mobile carriers and

partnerships with several SMS gateways and wholesalers for delivery services in Italy and Europe. It also provides SMS delivery services for the Group's MailUp and Acumbamail platforms.

Agile is headquartered in Carpi, Italy, and was acquired by Growens in 2015. It is authorized by the Ministry of Economic Development and Communication for offering a communication service (OLO – Other Licensed Operator) and is registered with the Register of Operators in Communication (ROC) held by the Italian Authority for Telecommunications Guarantees (AGCOM).

**Growth Plateauing:** Agile Telecom's revenues grew by 51.2% YoY in the first 9 months of 2022 after experiencing slower growth in FY'2020 and FY'2021, mainly due to the slowdown of economic activities following the Covid-19-related lockdowns. The Group's CPaaS revenues covering messaging service provided on a wholesale basis using APIs, supplied by the Agile Telecom business unit, grew from €40.0 million in 2020 to €44.1 million in 2021 at a 10.1% growth rate. In the first 9 months of 2022, the Group's CPaaS revenues were €47.9 million, showing a 51.2% YoY increase. This growth was primarily driven by the acquisition of new clients and steady recovery of economic activities. The company reported sales of €17.6 million for Q3'2022, increasing by 60.2% YoY. However, we expect Agile's revenue growth to considerably slow down over the medium and long term as the Group does not plan to invest materially in Agile's top line growth in the next few years, focusing on margins instead. However, Agile is likely to continue being the Group's most sizeable business in the medium term because it is by far the Group's highest revenue generator and a source of growth capital for other group companies, most of which are in early growth stages. Agile's revenues and profits will also be critical to continue financing the Group's inorganic growth plans and transition from an SMS-dominated business to a SaaS-dominated business.

**Further Monetization Possible:** Agile generates modest gross margins of close to 10% and is working on expanding these marginally by improving the existing technology. Given the company's high SMS volumes, even slight improvements in margins can generate significant additional liquidity to finance acquisitions and the organic growth of other Group companies. The company's margins improved in 2021 due to better commercial terms with suppliers. The company is working on further technological adjustments that are likely to help it improve margins slightly further in the upcoming periods. These adjustments include a pilot the company is currently running to further leverage its automatic, real-time testing capabilities by linking them to its core technology engine. Agile is also considering adding a new revenue stream by licensing some of its internal tools through APIs. This revenue stream, if rolled out successfully, will contribute to Growens' CPaaS revenues. Growens also has the option of divesting Agile and using the cash flows for acquisitions and the development of other businesses. Although the Group can do this without materially impacting its other businesses, we feel the Group is unlikely to do this in the foreseeable future.

## **BEEfree.io**

Beefree.io is Growens' home-grown technology startup based in Silicon Valley, California. The company developed an email design editor named 'Best Email Editor' ("BEE") and has since developed BEE into a complete design application aimed at democratizing the creation of creative marketing materials such as landing pages, fliers, Christmas cards, and restaurant menus. Growens considers BEE as its most significant venture and its principal future growth driver. The Group believes that BEE is a self-financing business that can grow rapidly without significant external capital. BEE generated revenue of €5.5 million in 2021 as against €3.7 million in 2020, translating to a 48.0% YoY growth at a constant EUR / USD exchange rate. The company enjoys an NPS (Net Promoter Score) of 54 and its Annual Recurring Revenue ("ARR") exceeds €10 million as of September 2022. BEE has continued to outperform and is the Group's dark horse. Despite its relatively lower revenue contribution, it continues to witness high double-digit growth and is set to lead the Group's growth going forward. During the first 9 months of 2022, BEE was

the fastest growing business unit, with a 64.6% increase YoY. BEE generated revenues of €6.4 million in the first 9 months of 2022, driven by increased volumes.

BEE's portfolio comprises the following:

**BEE Pro:** BEE is a freemium tool that end users can access directly (BEE Free and BEE Pro). The free version 'BEE Free' comprises a collection of 1,000+ templates that were pre-designed by BEE's designer community and currently has ca. 600,000+ free users. The premium 'BEE Pro' offering has over 11,000 subscribers and is available in the form of individual and group plans that are priced at \$25 per month and upwards.

**BEE Plugin:** The company's SaaS plugin 'BEE Plugin' has a usage-based pricing model and is currently embedded by ca. 1,000 software developers. The company currently generates almost equal revenues from the application and the plugin. BEE's sharp revenue increase in 2021 and in the first 9 months of 2022 can be largely attributed to its enhanced focus on sales to enterprises than to individuals and a price increase for BEE Plugin. Although the company serves several large enterprises, most of its enterprise sales are in the form of multiple subscriptions to BEE Pro. The company is modifying its commercial strategy for BEE by focusing more on sales of large five-figure enterprise-level subscriptions to companies to gradually replace a bunch of two-figure BEE Pro subscriptions to be used individually by their employees. The company made its first large enterprise-level sale in Q3'2021 and is realigning its sales and marketing apparatus to increase focus on such sales. This exercise would include redesigning the company's marketing materials, hiring more enterprise salespeople, and tweaking its product offerings.

Growens invests approximately 10% of BEE's revenue in R&D to develop new templates and add more content types. We expect the Group to continue making significant investments in BEE to further develop it and align its offerings with the requirements of enterprise clients. We do not expect BEE to grow through business acquisitions in the near future since this would require external capital which is inconvenient to raise at current valuations.

As of October 2022, BEE had over 60 employees, including more than 20 Sales & Marketing employees and more than 25 developers. The Sales & Marketing employees were based in Europe and the US, while almost the entire development team was in Italy.

**MailUp + Contactlab:** MailUp is the original business from where the Group started, bootstrapped in Italy by its five founders (all still active in the Group). It markets a top-quality multichannel cloud platform for managing email and SMS campaigns as well as newsletters, currently representing the leading solution in Italy, serving both SMEs and large companies.

Growens acquired Contactlab under Mailup in May 2022. Contactlab has developed a SaaS platform to deliver customized marketing communications across multiple channels. The company uses 'Engagement Intelligence' to process customer data from various sources and then combine the results to help companies target the right audience according to their distinguishable attributes. The company uses a data-driven approach with the help of its team of data scientists and researchers and uses machine learning algorithms to analyze customers' behavior. The company currently has 330+ clients, with its strong suit being Fashion and Retail industries, and is ranked third in the Italian market. It has sent over 23.5 million messages in total and 5.8 million till September 2022. The company reported revenues of €10.9 million in FY'2021 and an ARR of €3.3 million with 150+ employees.



## Datatrics BV

Datatrics is an artificial intelligence-based predictive marketing platform that helps marketing teams increase conversion rates and drive customer loyalty by improving customer experience. The platform operates on a proprietary self-learning algorithm that can analyze and provide insights using internal (e.g., CRM, emails, social networks, e-commerce, and web analytics) and external (e.g., demographics, weather, and traffic) data. The company currently has 100% recurring revenues. The Group reported ARR from Datatrics at €2.4 million as of September 2022, a 3.8% reduction over September 2021.

**Covid-19 Impact and Reorganization:** Growens acquired Datatrics in 2018 and it currently contributes very little to the Group's revenue (3.2% of revenue in 2021 before consolidation adjustments). The acquisition by Growens helped Datatrics expand its business into Italy and Latin America. Datatrics' revenue has suffered significantly (a 10.6% decline to €2.6 million in 2021 from €2.9 million in 2020 before adjusting for consolidation) because of retail and travel / hospitality clients cutting their marketing budgets or going out of business due to the pandemic. In the first 9 months of 2022, Datatrics' revenues decreased by 5.6% YoY to reach €1.8 million. However, the Group believes Datatrics losses have bottomed out and expects it to be its fastest growing business after BEE in the medium and long term because of the growing demand for marketing automation. Growens has taken significant steps to catalyze this growth since late 2020, including reorganizing and rebuilding the team in mid-2021. It is also taking steps to increase lead generation and prospect engagement, working on an operational reorganization of Datatrics so that it can respond more efficiently to the post-Covid market environment, and creating a leaner company with a higher skill level so that it can focus on unified client management. The company also transitioned towards a more scalable and self-provisioning model that better utilizes its partner network and soft launched a free version of Datatrics in November 2021, to lower the entry point from customers from €300-€400 and generate more leads with a higher probability of conversion. The company launched the freemium version of Datatrics in February 2022. The effects of some of these initiatives have started reflecting in the company's financials and we expect them to reflect fully in 2022.

**Synergies and Shared Growth Opportunities for Other Companies:** The Datatrics platform enjoys strong synergies with other Growens companies because they help extend the traditional marketing automation capabilities with big data and AI-based personalization. It will be a critical asset in scaling the Group's business among mid-large businesses in targeted geographies such as Germany, the Nordics, rest of Europe, and South America thanks to the sizeable cross-selling opportunities it opens.

## Acumbamail

Acumbamail is a marketing platform that allows users to create and run multi-channel marketing campaigns and track their relative performance in real time. Its features include automatic resend, customizable templates, telephone support, landing page editor, A/B testing, sending queue priority, email marketing advice, priority support, campaign previews, account manager, dedicated IP, etc. In addition, the company provides prepaid SMS credit packs, a service that is delivered by the Group's Agile Telecom business unit.

The platform operates on a freemium model that is targeted at small- and mid-sized enterprises ("SMEs"). Acumbamail also has special packages that have been created for larger businesses. The platform sends close to 500 million emails in a year and currently has more than 135,000 free users, most of whom are Spanish speaking. Over 3,500 of these users are paying users. The company enjoys 90%+ recurring revenues.

Acumbamail's revenue share is 2.6% of the Group's total revenue before consolidation adjustments and achieved 34.0% YoY growth to reach revenues of approximately €2.1 million in 2021 from €1.6 million in

2020 before consolidation adjustments. Acumbamail's revenue increased by 25.4% YoY from €1.5 million to €1.8 million in the first 9 months of 2022. The Group expects Acumbamail to continue growing at close to 30% annually over the next few years and become a €5 million to €10 million business within three to five years. The Group has adopted a partnership-driven growth plan for Acumbamail, as it prepares to expand its market beyond Spain. Under this approach, the company is working on partnerships with technology platforms, such as Gmail, by introducing Acumbamail add-ins as well as embedding Acumbamail in hosting solutions.

## Corporate Strategy and Future Outlook

Growens is investing in the development of SaaS-led business, with BEE and Datatrics as its primary growth drivers for the next three to five years. Consistent with this transition, the Group decided to adopt the 'rule of 40' as a strategic guideline for its businesses. In line with this thumb rule, the Group will ask its business units to focus on business opportunities that either have rapid revenue growth or high EBITDA generation potential, as the Group targets a combined revenue growth + EBITDA margin percentage figures that add up to at least 40% each year going forward. The Group will focus on the following under this overarching 'rule of 40' principle:

1. Scaling up through a major Sales & Marketing and Customer Success push.
2. Developing new capabilities and features through an R&D push.
3. Continuing to diversify by acquiring similar businesses

## Push Products through Increased Sales and Marketing Efforts

Growens believes that its BEE and Datatrics platforms are now ready for a major marketing push so that they can quickly grow in the US, some markets in Europe, as well as other strategic markets. Aggressive hiring is the Group's immediate priority in achieving this growth. The Group planned to hire 60+ people in 2021 and has completed most of these hirings, with the highest number of hiring being in MailUp, BEE, and Datatrics. Consistent with this year's hiring plans, most of the hirings until now have been in areas of Sales & Marketing, Customer Success, and Customer Support. However, the Group has also filled key positions at the holding company level, including Alessandro Tarquini as Growens' Head of Business Controlling, Eugenio Colazzo as Growens' Cyber Security Manager, and Enrica Liparo as People & Culture Director.

Agile Telecom currently has 16 employees and Growens does not plan to hire any new employees for Agile since it is no longer a fast-growing business. As a stable cash generator, its main role going forward will be that of a financier for the Group's emerging businesses.

## Develop More Capabilities and Features through R&D

The Group expects to invest mostly in the areas of Chat, Analytics, Content Creation, and Content Validation in the coming years as it expedites its transition towards a SaaS-dominated business from an SMS-dominated business. The Group's primary growth business BEE will mostly focus on rapidly growing its library of pre-designed templates, as well as content and design elements, as it works towards becoming the global leader in democratizing content development. This is a \$41 billion industry that is expected to serve over 4.7 billion design users by 2023. BEE will also look for more partnerships with software developers for BEE Plugin and enterprise-level contracts in place of individual BEE Pro subscriptions.

Datatrics is likely to focus mostly on adding new analytical capabilities as well as developing its marketing network so that it can reach out to more businesses. Growens also intends to develop Datatrics as the hub for all data management and analytics activity within the Group. In this way, Datatrics will grow into the important role of the entire group's knowledge support center. With Datatrics' reorganizing to become a leaner organization, we expect the company to expand its partner network and increase its partner engagement. Datatrics might also benefit from the formal launch of its freemium version, as it is likely to generate more leads with high conversion potential.

## **Focus on Inorganic Growth to Continue**

In May 2022, Growens acquired Contactlab S.p.A., an Italian company which is a proprietary digital marketing platform based on Engagement Intelligence. The company serves 330 clients including Scalo Milano, Christian Dior, Eataly, San Pellegrino, and Stroili. The Group anticipates that Contactlab's client base is highly complementary to that of MailUp. Contactlab has two divisions, a product division, and a digital service agency specializing in customer engagement. Growens plans to combine Tech Division activity with the MailUp business unit, to serve more sophisticated clients with real-time data management and marketing automation.

The Group is also assessing several other acquisition opportunities with potential synergies, especially in the BEE focus area. The Contactlab acquisition involved the purchase of 100% of Contactlab's shares for a total consideration of €5 million. The deal involved the payment of €3.75 million in cash to the selling shareholders, as well as the attribution of 188,822 treasury shares at €6.62 per share. Growens has also agreed to pay Contactlab's selling shareholders an earn-out of up to €6.6 million upon meeting certain profitability targets between 2022 and 2024. The Group has €7.8 million in cash and cash equivalents (as of September 30, 2022) and expects to generate sufficient revenue in the next three to five years to finance its development path.

## News

### [Growens hires Luca Penati as Chief Marketing and Communications Officer for the BEE business unit](#)

*August 29, 2022*

Growens announced the strengthening of the BEE business unit with the onboarding of Luca Penati, a former Apple and Ogilvy professional, in the role of Chief Marketing and Communications Officer. Luca Penati will report directly to BEE's CEO Massimo Arrigoni and will be leading marketing and communications worldwide, leveraging the success of BEE's visual builders across many industries and more than 180 countries.

### [Growens closed the purchase of 100% of Contactlab S.p.A.](#)

*May 4, 2022*

Growens announced the final closing of Contactlab S.p.A. acquisition, primary Italian player in the cloud marketing services. Growens purchased 100% shares of Contactlab for a total consideration of €5 million. The transaction involved a payment of €3.75 million in cash and the issuance of 188,822 treasury shares at €6.62 per share. The Selling Shareholders agreed to a lock-up on the Purchase Price Shares for a total of 18 to 48 months following the transaction's closure.

### [Growens signed a binding agreement to acquire Contactlab S.p.A.](#)

*April 4, 2022*

Growens has signed a binding agreement to acquire 100% of Contactlab S.p.A., an Italian company engaged in cloud marketing services. The Group expects to close the acquisition in May 2022. This acquisition is expected to consolidate Growens' leadership in cloud marketing technology in Italy. The transaction involves the purchase of 100% shares of Contactlab for a total consideration of €5 million to be paid via €3.75 million in cash and 188,822 treasury shares at €6.62 per share. Growens will also pay Contactlab's current shareholders an earn-out of up to €6.6 million upon meeting certain targets between 2022 and 2024.

### [Growens launched Freemium version of Datatrics](#)

*February 21, 2022*

Growens has launched a freemium version of the AI-based predictive marketing platform developed by its Datatrics business unit. This will allow users to create a free account and explore its cutting-edge features and pay only to access more sophisticated paid features.

### [Growens opened the Cagliari Innovation Lab together with CREA and The Net Value](#)

*February 8, 2022*

Growens has collaborated with CREA, the center for innovation and entrepreneurship of the University of Cagliari (Italy), and The Net Value, the community of innovators founded in 2009 to support innovation and digital entrepreneurship in Sardinia. Together they have opened the Cagliari Innovation Lab, a new research & development center dedicated to digital and technological innovation.

## [Massimo Arrigoni Exercised Option to Subscribe to 250,000 BEE Content Design Shares](#)

*November 23, 2021*

Growens announced that Massimo Arrigoni, Chief Executive Officer of the subsidiary BEE Content Design Inc. (formerly MailUp Inc.) exercised the options to subscribe to 250,000 newly issued shares of BEE Content Design for a total consideration of USD 2,500. Pursuant to this transaction, BEE Content Design has 5,250,000 outstanding shares, of which 4.76% are owned by Mr. Arrigoni and the rest by Growens S.p.A.

## [Growens Entered "Growth Leaders 2022" Based on 2017-2020 Growth Rate](#)

*November 22, 2021*

Growens announced its entry into the "Growth Leaders 2022" ranking. The ranking, compiled by the Italian financial newspaper *Il Sole 24 Ore*, in collaboration with Statista, comprises 450 Italian companies with the highest average compound sales growth rate in the 2017-2020 period.

## [Growens Hired Enrica Lipari as People & Culture Director](#)

*September 23, 2021*

Growens announced the strengthening of the Group management with the onboarding of Enrica Lipari in the role of People & Culture Director. Enrica Lipari will report directly to Growens' Chairman & CFO Matteo Monfredini and will be tasked with the design and daily implementation of HR policies, with particular attention to recruiting, compensation & benefits, people development, engagement, and employer branding processes that are consistent with the Group's values and are functionally co-designed to fit in each Business Unit's specific framework.

## [Growens Published the 2020 Sustainability Report](#)

*May 04, 2021*

Growens announced the publication of the second edition of its Sustainability Report for 2020, which aims at transparent and consistent disclosure of values, strategies, and performances directly linked to its economic, social, and environmental ("ESG") impact on all Stakeholders. The Group was also included among the 2021 Sustainability Leaders, an initiative organized by *Il Sole24 Ore* and Statista with the aim of identifying companies in Italy that stand out for truly sustainability-oriented choices. In the selection process, Statista and *Il Sole 24 Ore* carried out research on a panel of 1,500 companies that published sustainability reports in recent years. Growens was included in the list of 150 virtuous companies in terms of sustainability issues.

## [Growens Announced Ticker Change on AIM Italia](#)

*May 03, 2021*

Growens announced that the Italian Stock Exchange issued provision to change the corporate ticker starting 3rd May 2021. The new exchange ticker for Growens' ordinary shares is GROW.

## [Growens Entered the Financial Times "FT 1000" Ranking of the Fastest Growing European Companies](#)

*March 02, 2021*

Growens announced its second entry into the "FT 1000 Europe's Fastest Growing Companies 2021" ranking, compiled by the Financial Times and Statista.

## [BEE Among the 20 Most Innovative Companies of 2020](#)

*December 18, 2020*

Growens announced the entry of its BEE business unit, an email and content editing tool, into the "Top 20 Most Innovative Companies to Watch 2020" list compiled by Business Worldwide Magazine for its ability to make it easy to create great emails quickly, from an extensive range of vibrant, simple to use templates.

## [Growens Entered "Growth Leaders 2021" Based on 2016-2019 Growth Rate](#)

*November 25, 2020*

Growens announced its entry into the "Growth Leaders 2021" ranking. The ranking, compiled by the Italian financial newspaper II Sole 24 Ore, in collaboration with Statista, comprises of 400 Italian companies with the highest average compound sales growth rate in the 2016-2019 period.

## [Growens Won Deloitte Technology FAST 500 EMEA for 2020](#)

*July 30, 2020*

Growens announced its entry in the "Deloitte Technology FAST 500 EMEA" ranking, an annual program led by Deloitte in three continents – North America, EMEA and Asia-Pacific. The ranking, amongst the most influential technology industry lists is based on 2015-2018 growth rates.

## [BEE Launched Page Builder](#)

*March 27, 2020*

Growens' BEE business unit, an email and content editing tool, announced the launch of Page Builder, a new addition to BEE's Plugin family.

## [Growens Won Deloitte Technology FAST 500 EMEA for 2019](#)

*September 24, 2019*

Growens announced its second entry into the "FT 1000 Europe's Fastest Growing Companies 2021" ranking, compiled by the Financial Times and Statista.

## [Growens Entered the Financial Times "FT 1000" Ranking of the Fastest Growing European Companies](#)

*March 05, 2019*

Growens announced its first ever entry into the "FT 1000 Europe's Fastest Growing Companies 2021" ranking, compiled by the Financial Times and Statista.

## Listing Information

Growens S.p.A., headquartered in Milan, Italy, was admitted to trading on the Euronext Growth Milan (formerly AIM Italia ("Alternative Investment Market")) of the Italian Stock Exchange – (BIT: GROW) in 2014.

## Contacts

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## Major Shareholders as on September 23, 2022

Equity Holder	No. of ordinary shares held (mn)	% Shareholding
Alberto Miscia	1.61	10.4%
Nazzareno Gorni	1.61	10.4%
Matteo Monfredini	1.60	10.4%
Luca Azzali	1.55	10.0%
Matteo Bettoni	1.51	9.8%
Pronti Gianluca	0.91	5.9%
BMC Holding B.V.	1.01	6.6%
CL sellers	0.19	1.2%
Treasury Shares	0.06	0.4%
Free Float (Market)	5.37	34.9%
<b>Total</b>	<b>15.4</b>	<b>100%</b>

Source – Growens website and press releases



## Management and Governance

### **Matteo Monfredini**

*Co-Founder, Chairman, and CFO*

- Started his professional career as a freelance software developer during his studies in Computer Engineering at the Politecnico University in Milan
- Co-founded Network S.r.l. in 1999, a company specializing in network engineering & web applications
- Co-founded Growens S.p.A. in 2002

### **Nazzareno Gorni**

*Co-Founder and CEO*

- Began his career with a strategic role in a consulting firm specializing in ICT Marketing & CRM
- Adjunct professor of the Executive master's in Social Media Marketing & Digital Communication at IULM University, with a focus on Digital Marketing Management
- Co-author of "Email Marketing", "Fare Business con Facebook" and "Social Media Marketing"

### **Micaela Cristina Capelli**

*Executive Director and Investor Relations*

- Graduated in Economics & Business Law with a master's in Professional Coaching
- Started as an analyst at the Equity Market Listing of the Italian Stock Exchange, after which she became Capital Markets Manager of Centrobanca and UBI Banca, and Capital Markets Director of Banca Esperia
- Former member of promoter team and Board of Directors of Gabelli Value for Italy SPAC

### **Armando Biondi**

*Non-Executive Director*

- Italian sports physiotherapist, radio speaker, and a successful technology entrepreneur
- Recently sold the startup he co-founded, AdEspresso, to Hootsuite
- One of the European Top Angel Investors (with ~50 investments) and Guest Contributor for VentureBeat, Business Insider, Entrepreneur.com, and Fast Company

### **Ignazio Castiglioni**

*Independent Director*

- Founder and CEO of HAT Orizzonte Group, an Italian alternative asset manager, focused on private equity and infrastructure strategies, with €400 million of target assets under management
- Former Head of Private Equity of Vegagest SGR, an independent asset management group with more than €3 billion assets under management

## Services

### MailUp

MailUp is an email service provider ("ESP") whose SaaS-based platform helps companies efficiently manage their newsletter, email, and Short Messaging Service ("SMS") campaigns. The platform combines email marketing and automation tools with a Simple Mail Transfer Protocol ("SMTP") relay for emails and plugins for e-commerce, Customer Relationship Management ("CRM"), and Content Management Systems ("CMS"). It is currently used by ca. 10,000 customers worldwide, ranging from small businesses to large multinational corporations, with close to 800 new customers added every month. The MailUp platform is used to send over 22 billion emails per year in nine different languages. The platform's SMS deliveries are managed by Agile Telecom. MailUp sends SMSs to over 200 countries by leveraging Agile's capabilities. Its platform concatenates up to 10 SMSs in one message, allowing customers to save up to 1,530 characters.

Growens has adopted the "product-led approach" with MailUp, whereby it consistently works on making the product more robust with the expectation that this will increase the user base and revenues. Consistent with this approach, the Group is investing significantly in expanding MailUp's functionality and user experience, especially outside Italy. The Group is also exploring international partnerships and other indirect marketing channels so that MailUp can be made available in more overseas markets. For example, the Group's partnership with a large player in Argentina has helped MailUp expand to Chile, Mexico, Columbia, and other countries in South America.

### Contactlab

Contactlab is a SaaS platform that provides top-quality products and services to maximize customer engagement strategies and design digital marketing campaigns, via the integrated offer of two divisions:

- a. Tech Division (Contactlab Marketing Cloud product):** It is a proprietary SaaS platform, developed in-house that allows to (i) collect data on customer behaviors, (ii) gain insights and create customer segments, also via artificial intelligence, (iii) automatically develop multi-channel personalized campaigns, and (iv) analyze the return on investments. The product is scalable and suitable to different client needs, is offered as a SaaS platform (cloud, IT system externalization), and relies on quick and customizable APIs, which can integrate into the client ecosystem and external tools. The platform embeds the BEE Plugin (a product of the Growens Group) for digital content creation.
- b. Agency Division (professional services):** It provides consulting and digital training services, as well as multi-channel and loyalty marketing strategies. The offer also includes a 24/7 operations team to support customers in executing global campaigns. Services are provided by experienced personnel, cover the main marketing platforms, and support global clients with coverage in English and across time zones.

Following the acquisition by the Growens Group, the Tech Division activity was combined and coordinated with the MailUp business unit, thus increasing the service range to serve more sophisticated clients with real-time data management and marketing automation. Contactlab's staff functions are being rationalized and integrated into Growens' holding structure. Growens and Contactlab structures will be completely integrated, considering the current competence and seniority layout, aiming at enhancing both similar and complementary know-how. Following the transaction,

Massimo Fubini (former CEO and founder of Contactlab) is responsible for the combined MailUp+Contactlab business unit.

MailUp + Contactlab is among the key businesses in Growens' portfolio with significant market traction. The combined business unit enjoys an NPS of 35, 62% recurring revenues, and 94% net retention. Mailup's revenues grew to €16.6 million in 2021 from €15.7 million in 2020 before adjusting for consolidation, translating to a 5.9% YoY growth. In the first 9 months of 2022, Mailup + Contactlab's showed a 38.5% YoY revenue growth, reporting €17.1 million revenues, including the consolidation of Contactlab from May 2022. We expect the company's performance to remain strong in the coming months unless there is an economic slowdown.

## Agile Telecom SPA

Agile Telecom's SMS gateway uses its internally developed SS7 protocol technology (carrier-grade standard for voice and text), to provide SMS delivery solutions. The company also offers inbound SMS solutions and message testing services. Message testing services are provided through the company's SMSC.net testing platform. A brief description of these services is as follows:

- a. SMS Messaging:** Real time delivery of transactional and marketing SMSs through direct connections with MNOs. Constant and secure monitoring through cloud solutions on Amazon AWS services.
- b. Inbound SMS:** Worldwide reception of inbound SMSs through dedicated hardware and software, and customized handsets for every customer. Tech connections available via SMPP and HTTP.
- c. Message Testing (SMSC.net):** Real time testing of the telecom service provider's route quality. 24x7 testing available all over the world.

Growens is currently testing the feasibility of offering some of Agile's internal proprietary tools to other service providers as an API-based white label service. This offering, if rolled out, will be an additional revenue stream for Agile and will contribute to Growens' CPaaS revenues.

## Datatics BV

### Customer Data Platform (CDP)

Datatics' Customer Data Platform (CDP) gathers and analyzes customer data to help businesses personalize customer interactions (website, email, and advertising) and improve their odds of conversion. Datatics has the following service components:

- a. Customer Data Management:** Automatic customer data collection from different internal and external channels, followed by data cleaning and structuring for analysis.
- b. Predictive 360° Profiles:** Creation of unified customer profiles that show personal details and preferences of each unique visitor including continuously optimized predictions using AI.
- c. Segmentation and Targeting:** Assistance in creating specific customer segments that might be of interest to the client and automatically updating these segments to help the client target them throughout the customer journey.
- d. One-to-One Personalization:** Helping clients meet their customers and prospects when, where, and how they want to be met by activating appropriate communication channels.

- e. **Reporting and Optimization:** Optimizing and compiling the data in a dashboard for continuous analysis and performance improvement.

Growens launched a freemium version of Datatrics with limited features in February 2022. The free version is intended to act as a lead generator to increase subscriptions to the full-service paid version.

## BEE Content Design Inc

### BEE

The free version (BEE Free) of Growens' email design editor and design application BEE offers the following features:

- a. **Drag and Drop Editor:** Allows drag and drop of entire rows or individual content elements. Drop images directly from the desktop. Clone and rearrange everything quickly.
- b. **Mobile Responsiveness Test:** Live testing of email programs on smartphones and other devices to ensure readability and high visual impact.
- c. **Design Templates:** A large collection of professionally designed templates with no requirement to create an account.
- d. **Easy Download:** All newsletters, announcements, transactional emails, and other communication materials created on BEE can be downloaded for use in all major email sending programs.

The subscription version of BEE (BEE Pro) offers the following additional features:

- a. **All Designs in One Page:** All newsletters, transactional emails, product launch pages, custom home page, and signup forms created by the user are compiled in one place for easy use.
- b. **From Email to Page in One Click:** Allows users to design a full digital campaign in no time by transforming any email into a landing page with one click as well as providing the option to add page-specific content like a signup form before publishing.
- c. **Tools for All:** BEE Pro has inbuilt tools for all types of users – freelancers needing a better way to design for their clients, startups wanting to get campaigns out faster, and large companies aiming to empower more people across the organization.

## 2. BEE Plugin

BEE Plugin is a SaaS-based embeddable email, landing page, and popup builder that integrates easily with applications and can be completely customized in the way it looks, what it does, and how it interacts with other applications. It offers a superior drag-n-drop user experience and is intended to save businesses the money and time they would require build their own drag-n-drop editor. BEE Plugin supports 20 languages and is available in subscription packages ranging from \$250 to \$2,000 per month.

## Acumbamail SL

The company currently has two products:

- a. **Acumbamail:** The original platform that allows SMBs to manage contacts, send campaigns, create landing pages, and send SMSs. Acumbamail's functionality includes automatic resend and list clear,

customizable templates, telephone support, Facebook audience, landing page editor, A/B testing, sending queue priority, email marketing advice, priority support, campaign previews, account manager, dedicated IP etc.

**b. Gumbamail:** A recently launched product that allows customers to send their marketing campaigns directly within Gmail.

The company had another product called Shopimail, which was a campaign tool within Shopify. However, the company discontinued this product because Shopify launched its tool.

## Technology

### MailUp + Contactlab

MailUp uses its entirely self-developed multi-channel SaaS platform for marketing through email, newsletter, SMS, and messaging apps. It has also developed the 'Jade' application that allows MailUp's users to create customized forms by following some simple steps, which are linked to the user's MailUp account and all data collected through them is available for analysis in the account. These forms can also be linked to separate groups based on their purpose. Jade is available on both iOS and Android operating systems.

MailUp does not outsource any aspect of technology development and maintenance / updating to external partners. Neither does it contract external consultants for conceptualization and software development. MailUp's core technology, products, and software are, therefore, completely internally developed and owned entirely by MailUp or directly by Growens. However, the company uses some third-party tools for standard, low-value functionalities, such as Email on Acid for email previews, WYSIWYG for creating HTML emails, Blacklist API for protecting forms from bots, and Zuora and Stripe for billing and payments. MailUp also uses BEE Plugin's email template editor.

Contactlab's SaaS platform is built on advanced proprietary machine learning and artificial intelligence capabilities that enable it to analyze customer behavior in real time and help marketers improve their conversion rates by targeting the correct audience. Each process including system integration, contact strategies, and the delivery of multi-channel marketing campaigns, is simplified to provide users the best possible experience. The platform has complex analytical capabilities to help companies evaluate the impact of their digital marketing campaigns across all sales channels and make adjustments to achieve better results. The platform is highly scalable and comes with customizable APIs for integration with external software, including leading CRMs and third-party marketing products that customers use.

### Agile Telecom

Agile Telecom's core technical strength is its SS7 protocol technology that sets up and terminates voice calls over a digital signaling network to enable wireless cellular and wired connectivity. This technology is completely internally developed and owned by Agile. Agile has also internally developed and completely owns its testing platforms smsc.net and imsi.io.

### Datatrics

Datatrics' core technology is its proprietary AI-based predictive marketing platform that was developed by the company internally before it was acquired by Growens in 2018. The platform draws data from several internal and external sources and its self-learning algorithm analyzes this data for use by the company's clients. Datatrics uses Intercom for conversation support, engagement, and marketing support.

### BEEfree.io Inc.

BEE is Growens' internal startup that is expected to become completely self-financing going forward. The BEE platform as well as the content library have been internally developed. The company is adding more developers to its team to build more templates as well as add new design and content functionalities (e.g., landing pages). The company occasionally outsources small portions of development for specific projects. However, it has not outsourced any of this work in the last six months. The key third-party services BEE uses include AWS, Zendesk customer service software, and HubSpot CRM.

## **Acumbamail**

Both Acumbamail and Gumbamail are internally developed platforms that are completely owned by the company. The key third-party tools that these platforms use include Aircall for phone support and Helpscout for ticket and chat support. Acumbamail also uses services of group companies Agile and BEE for SMS support and content creation, respectively.

## Industry Analysis

MarTech is an ecosystem of cloud solutions and technological application businesses that support companies in the effective development of digital marketing campaigns. Currently, the MarTech industry is highly fragmented with several medium and small players that focus on specific niches, and some large players that have a wider focus. The number of MarTech applications available in the market has increased sharply from 150 in 2011 to approximately 9,932 at present.

### MarTech Segments

The MarTech ecosystem consists of six sub-segments:

1. Advertising & Promotion (mobile marketing, social & video advertising, PR)
2. Content & Experience (mobile apps, email & content marketing, personalization, SEO)
3. Social & Relationships (events, meetings & webinars, social media marketing, influencers)
4. Commerce & Sales (retail & proximity marketing, sales automation, e-commerce platforms)
5. Data (data marketing, mobile & web analytics, customer data platforms, predictive analytics, business and customer intelligence)
6. Management (talent management, product management, budgeting & finance, agile & lean management, vendor analysis)

The main technological trends that are currently affecting MarTech are aimed at exploiting the potential of collection and processing big data sets, in most cases including the client's historical data. Customers generate a large amount of data and information in the course of making purchases. These purchases when tracked well generate valuable data that can be analyzed to launch more targeted and effective campaigns in the future as well as fine tune existing campaigns, with the aim of increasing sales.

This data is rigorously analyzed with the help of an ever-growing band of analytical software and tools that help produce deep insights and action points. In many cases, companies help automate the implementation of these insights and action points at scale through AI, robotics, and other automation technologies. The global marketing automation market was valued at \$4.1 billion in 2019 and is expected to more than double and reach \$8.7 billion by 2027<sup>i</sup>.

Attractive new opportunities are emerging throughout this long MarTech value chain – right from data collection to analysis and implementation. These opportunities have inspired several Mergers & Acquisitions and financing deals in recent years. With more opportunities expected to emerge in MarTech going forward, deal volumes are likely to soar.

Thanks to the increasing possibilities to monitor the behavior of online customers and implement learnings, MarTech has expanded the focus of marketing campaigns from mostly converting a prospect to a customer (which is the case with traditional marketing), to bringing customers into the sales funnel and moving them down the funnel more efficiently. The focus at every level of the funnel – awareness, interest, and decision – is much greater and more tailored now, in addition to the focus on better 'milking' existing customers through a mix of more value addition and better value communication. Frequently, the focus is on leveraging the blessings of technology to create a growing community of loyalists or a cohort of sorts and churning it better.



## The Role of Email and Text Messaging in Contemporary Marketing

Multi-channeling is the central theme of new-age marketing with a flood of digital marketing channels and analytical technologies now available to marketing professionals. The marketer's role has expanded to developing a strategy that provides targets an experience that is customized for them through the optimum use of various channels. However, despite the popularity of social media and alternative communication channels, a combination of email and text (SMS and text) is still among the most widely used and effective.

**Email Marketing:** Email is among the most personalized marketing channels that businesses can use effectively for all segments of the marketing funnel. It is also among the most cost-effective and conversion-rich forms of digital marketing that, thanks to technological advances, is now richer in design and functional capability. Although many new forms of communication have now taken center stage, email has evolved and remained relevant, especially for B2B marketing. In addition to being the primary mode for companies when they want to send personal messages (especially important ones), email is also the most popular method for customers to reach out to companies. Despite chatbots becoming increasingly sophisticated, many situations still call for communication with a human agent. Email is the most preferred option in such situations.

Despite the explosive growth in social media and messaging app users, email usage is more than substantial. The number of email users is expected to increase from 3.9 billion in 2019 to 4.3 billion in 2023. In 2019 alone, 293.6 billion emails were sent and received per day. This is expected to increase to over 347.3 billion by 2022<sup>ii</sup>. Email continuing to remain a critical marketing communication tool in the foreseeable future is, therefore, undoubtedly, as is a rapid increase in the number of new MarTech solutions businesses committed to improving email marketing.

**Text Messaging:** Text messages are among the most effective means to communicate time-sensitive information, such as passwords, updates, alerts, security threats, and limited period offers as they are the most opened and acted upon.

Despite a substantial decline in SMS volumes with the arrival of alternative messaging apps such as WhatsApp, SMS is likely to remain a key messaging option for certain types of business communication. Many factors associated with the evolution of MarTech lend support to declining SMS volumes, such as automated messaging capabilities, generation of more passwords due to multi-step authentication requirements, growing preference for online shopping, mobile app authentication, and availability of cost-effective cloud-based solutions. Consequently, the value of the SMS marketing segment is expected to increase from \$4.1 billion in 2019 to \$17.8 billion by 2027<sup>iii</sup>.

## Emerging Trends<sup>iv</sup>

The key trends expected to drive MarTech's growth going forward are as follows:

### 1. Rise of No-Code Technologies

In 2020, 75% of organizations still had a long way to go in terms of digital maturity. This, coupled with the do-or-die need that businesses are facing in digital transformation, would likely see the rise of no-code or low-code MarTech solutions. These solutions can easily be used by marketers with minimal technical capabilities and sold to top management with simple data visualization.

### 2. Improving Content Personalization

Consumers are flooding digital spaces, creating an influx of both traffic and data like never before. Since marketers can now benefit from being able to track and monitor consumer behavior to an even

more granular level, using technology to identify, create, and selectively share customized content is becoming a growing trend.

### **3. Single View Predictions**

Although personalization based on data is currently in vogue, by 2025, advertisers are expected to give up on achieving personalization due to new cookie-less policies, making it difficult to gather, store, classify, and implement insights of their consumers. Businesses are considering improving the way first party data is used, given the rapid restrictions being imposed on third party data. At its peak, the utilization of an effective Customer Data Platform (“CDP”) would provide a single view of the consumer and accurate predictions of customer lifetime value.

### **4. Executional Efficiency**

Budgets are being shifted away from human resources, creating a greater dependency on leveraging marketing technology for operational efficiency. As more businesses opt for leaner, more agile structures, marketing leaders will look to tech not just for automation and to free up workflows, but also to create greater cross-departmental collaboration. Leaders will start looking at tech to seamlessly take care of marketing operations and managing tasks, especially with the continued work from home or virtual operations.

## Risk Profile Analysis

### 1. ECONOMIC RISKS

All Growens Group companies are influenced by the macroeconomic environment of Italy and all the other geographies they operate in, including Europe, the US, and South America. All Growens companies have been affected by falling consumer spending and shrinking marketing budgets in the aftermath of the Covid-19 outbreak. For example, Agile telecom's Marketing SMSs business has been affected because companies have not been sending SMSs or emails because consumers cannot come out to shop during lockdowns. However, the lockdowns have also supported some parts of the business. For example, there has been more opportunity for the Transactional SMSs business because people have been mostly shopping online. Increased inflation in Italy and across several geographies might limit consumers' purchasing power causing companies to reduce their marketing spends. Since Growens' business is directly related to consumer sentiment and spending patterns, we believe that in the current environment, the Group has a **MID-HIGH** economic risk profile. These economic risks are mitigated to some extent by the integral nature of MarTech investments for modern-day enterprises and their relatively small share of the enterprise's overall budget.

### 2. MARKET RISKS

Growens' businesses operate in an environment characterized by rapid technological developments and changing design preferences. They need to continuously invest in technological and design improvements to stay ahead of the competition, especially since patents cannot protect them for long. Although the Group constantly spends on expanding its content library as well as developing and acquiring new technological capabilities, none of its businesses apart from Agile are defensible yet. The Group's most significant competitive advantage is Agile's large client base and telecom operator relationships that have helped it build a dominant and defensible business in Italy. These advantages will continue reaping rewards for the company going forward. However, with Agile now well past its cash cow phase and other businesses at very early stages of growth, Growens will soon have to develop an alternative source of enduring competitive advantage. We feel that until the Group develops such an advantage, it has a **MID-HIGH** market risk profile.

### 3. FINANCIAL RISKS

- a. **Credit Risk:** Credit risk is determined by the exposure to potential losses deriving from failure by counterparties to fulfill the assumed obligations. Following the recent economic difficulties, the Group plans to adopt stricter procedures to quantify and control client risk levels. In order to reduce the risk of insolvency deriving from trade receivables, the Group has introduced various measures to encourage the use of electronic payment systems (credit cards, PayPal, Sepa Direct Debit) by customers, for example strengthening and innovating the e-commerce sale system. While Agile telecom has a regular Net Working Capital dynamic, the other SaaS businesses have an inverted net working capital dynamic where subscriptions are paid for in advance, usually by credit card, therefore, the Group's SaaS business also has **LOW** credit risk. However, the Group's credit risk might increase going forward because BEE might have to offer advantageous credit terms to software developers to grow its plugin business.
- b. **Liquidity Risk:** The liquidity risk is the risk that a business will not be able to meet its financial obligations due to a paucity of current assets, cash, and cash equivalents. We feel that Agile has a **LOW** liquidity risk thanks to its substantial cash balance. Agile receives most of its payment upfront from customers and enjoys credits with telecom operators while other businesses also receive most of their payments upfront. Other than Agile and Datatrics, all

businesses are growing and generating increasingly higher cash revenues. The Group's fastest growing business BEE is not likely to require external funds as it is generating enough cash to finance its organic growth. We believe that the Group could generate aggregate free cash flows of over €30 million between 2022 and 2026, implying it will have enough cash not only for its operational requirements but also to finance acquisitions and invest in other growth initiatives without raising external capital.

- c. **Interest Rate Risk:** Growens has comfortably managed its interest obligations since 2015. The Group has maintained manageable levels of leverage and benefited from a low interest rate environment. Since a high percentage of Growens' debt is variable rate debt, and sovereign interest rates have increased in Europe, the Group might experience interest rate-related discomfort in the near future. But the Group's interest coverage ratio is high and the Group is well equipped with cash and cash equivalents to pay off its debt and have enough cash for routine requirements, R&D, as well as inorganic growth if its businesses continue growing as expected. As such, we believe that the Group has a **LOW** interest rate risk profile.
- d. **Exchange Rate Risk:** The Group's foreign currency exposure is currently low because it does most of its business within the Euro Area. Its limited foreign currency exposure is to the US Dollar and Danish Krone. Both these currencies have generally been stable against the Euro and this stability is likely to continue going forward. As such, we believe Growens has **LOW** exchange rate risk. The Group's exchange rate risk may increase moderately in the future with BEE's US business growing and the Group's businesses expanding outside the Euro Area. However, we don't see any material change in the Group's exchange rate risk profile over the next three to five years.

## Financial Analysis

Growens' revenues increased from €21.6 million to €71.2 million from 2016 to 2021, translating to a CAGR of 26.9%. This growth primarily came from the Group's SMS business, which grew at a CAGR of 33.4% over this period. BEE revenues also grew at a supernormal CAGR of 104.0% over this period. However, this growth did not have a significant impact on the Group's overall growth since BEE revenues represented less than 8% of the Group's revenues during this period. In the first 9 months of 2022, the Group's revenues increased by 48.2% reaching €75.7 million from €55.1 million in the same period of 2021. The increased revenues are driven by the growth of both SaaS and CPaaS components. The SaaS component grew by 44.1% YoY, and it contributed 35.8% to the Total Sales. The CPaaS component grew by 51.2% YoY and contributed 63.3% to the total sales in the first 9 months of 2022. Due to Agile Telecom's growth in the first 9 months of 2022, foreign revenue increased by 82.3% and reached €49.3million, accounting for more than 66.0% of overall sales. Recurring revenues account for more than 27.0% of the total sales during the same period, increasing by more than 31.0% YoY.

**Revenue and Profitability:** Growens' home market Italy was among one of the most impacted countries by Covid-19 resulting in a slowdown in the Group's growth. The Group's revenues grew marginally by 7.3% YoY in 2020, a significant reduction from the 2019 YoY growth rate of 51.2%.

Growens' revenues increased to €71.2 million in 2021 translating to a 9.2% YoY growth rate. The Group's overall revenue growth remained low in 2021, largely because of a continued overdependence on Agile and MailUp. Before adjusting for consolidations, in 2021, BEE and Acumbamail generated strong YoY revenue growth of 42.6% and 34.0%, respectively, while MailUp generated a low YoY revenue growth of 5.9%. In the first 9 months of 2022, the Gross Profit and EBITDA margin were affected by a range of factors including the sale of some strategically important routes, which resulted in high top-line growth but lower Gross Margin. Sales & Marketing costs and General & Administrative expenses increased by 39.0% and 38.0% due to BEE's development and Contactlab acquisition, respectively, partially offset by the incremental performance brought on by Contactlab's integration, starting from May 1, 2022. Consequently, EBT was negative at €0.7 million in the first 9 months of 2022. The Group expects to restore its profit margins leading to steady profit growth over the years.

The Group's CPaaS revenues were €47.9 million in the first 9 months of 2022, a 51.2% YoY increase, indicating recovery of economic activities. The Group also released its SaaS ARR which was €27.7 million as of June 2022 and 29.2 million as of September 2022. The majority of the growth in Revenues in coming years is expected from BEE, which reported an ARR of €10 million as of September 2022.

The Group's gross margins increased from 27.5% in 2019 to 31.9% in 2020 to 33.4% in 2021, primarily because of a decline in purchase costs from 62.6% of revenue in 2019 to 59.3% in 2021. The messaging capacity / credits purchased from telecom carriers is the largest component of the Group's purchase costs. Since the volume of SMSs was down significantly in 2020 and 2021, the expenditure on messaging capacity was also far lower than the previous year, resulting in a lower aggregate purchase cost.

Growens' Selling, General, and Administrative Costs increased from 19.6% of revenue in 2019 to 24.1% of revenue in 2020, and further to 26.1% of revenue in 2021. The major increase is in Sales and Marketing Costs which increased to €7.3 million at a 20.7% growth rate. The increase in Sales and Marketing Costs can be attributed to the Group's efforts to push its newer products into the market.

Due to a significant increase in Selling, General, and Administrative Costs, the Group's EBITDA margin reduced from 7.9% in 2019 to 7.8% in 2020 and then to 7.3% in 2021 and 3.7% in the first 9 months of 2022. In absolute terms, the Group's EBITDA increased from €4.8 million (2.7% of revenue) in 2019 to

€5.1 million in 2020 and €5.2 million in 2021. The Group's net income fell from €1.2 million in 2019 (1.9% net margin) to €0.6 million in 2020 (0.9% net margin). It further fell to €0.4 million in 2021 (0.5% net margin). SG&A expenses stood at €5.4 million in H1'2022 representing a 33.6% increase YoY. These expenses are expected to reduce from FY'2023 as one-time costs fade away after H2'2022.

Despite potentially slowing growth in SMS revenues, we expect SMS revenues to continue accounting for over 60% of the Group's revenues until 2026. We expect Email revenues to increase as the Group finalizes the merger of Contactlab's Tech division with MailUp, and account for over 20% of the Group's total revenues until 2026. We also expect BEE's revenue share to increase from 7.7% of total revenues in 2021 to over 18% of total revenues in 2026. The profitability implications of this are likely to be an increase in EBITDA margin to a range of 10% to 14% and an increase in net margin to a range of 4% to 7% by 2026.

**Capital Structure:** Growens' Total Shareholders' Equity increased from €7 million in 2016 to €17.4 million in H1'2022. The Group's Debt-to-Equity ratio fell from 0.5x as of December 2016 to 0.4x as of June 2022. The Group's debt increased substantially in the first nine months of 2021 due to a bullet loan that the Group repaid by the end of the year. We expect the Group's need for leverage to go down in the next few years as its equity reserves build further.

**Liquidity Position:** Growens' cash ratio decreased marginally from 0.30x to 0.27x and current ratio increased from 0.63x to 0.79x from 2016 to June 2022. This indicates a significantly better but still consistently tight liquidity position that can be owed to the Group's low profit margins. We expect this liquidity measure to improve modestly going forward as the Group's high-margin BEE business starts contributing more to revenue. Technical improvements to Agile's technology engine are also likely to increase the SMS business' margins slightly, resulting in more cash in the Group's books vis-à-vis current liabilities.

## Income Statement – Historical

<i>(All figures in EUR 000s unless mentioned otherwise)</i>	2017	2018	2019	2020	2021
<b>Revenue</b>	<b>27,320</b>	<b>40,203</b>	<b>60,797</b>	<b>65,234</b>	<b>71,237</b>
<i>YoY Growth Rate</i>	26.2%	47.2%	51.2%	7.3%	9.2%
<b>Cost of Goods Sold (COGS)</b>					
Purchase Cost	12,039	22,567	38,070	39,116	42,236
Services Cost	1,466	1,350	2,493	2,706	3,026
Cost of Rents & Leases	240	29	17	12	11
Payroll Cost	2,038	2,835	3,467	2,548	2,113
Sundry Operating Expenses	10	37	62	55	51
<b>Total Cost of Goods Sold</b>	<b>15,792</b>	<b>26,817</b>	<b>44,108</b>	<b>44,437</b>	<b>47,437</b>
<i>% of Total Revenue</i>	57.8%	66.7%	72.5%	68.1%	66.6%
<b>Gross Profit</b>	<b>11,528</b>	<b>13,386</b>	<b>16,689</b>	<b>20,797</b>	<b>23,800</b>
<i>% of Total Revenue</i>	42.2%	33.3%	27.5%	31.9%	33.4%
<i>YoY Growth Rate</i>	13.0%	16.1%	24.7%	24.6%	14.4%
<b>SG&amp;A Costs</b>					
Sales & Marketing (S&M) Costs	3,244	2,938	4,407	6,067	7,324
Research & Development (R&D) Costs	858	1,063	1,635	2,855	3,175
General Costs	4,547	5,616	5,851	6,785	8,100
<b>Total SG&amp;A Costs</b>	<b>8,649</b>	<b>9,617</b>	<b>11,894</b>	<b>15,707</b>	<b>18,599</b>
<i>% of Total Revenue</i>	31.7%	23.9%	19.6%	24.1%	26.1%
<b>EBITDA</b>	<b>2,879</b>	<b>3,769</b>	<b>4,795</b>	<b>5,089</b>	<b>5,201</b>
<i>% of Total Revenue</i>	10.5%	9.4%	7.9%	7.8%	7.3%
<i>YoY Growth Rate</i>	19.3%	30.9%	27.2%	6.1%	2.2%
Depreciation, Amortization & Provisions	1,599	1,872	2,946	3,709	4,069
<b>EBIT</b>	<b>1,280</b>	<b>1,897</b>	<b>1,850</b>	<b>1,381</b>	<b>1,132</b>
<i>% of Total Revenue</i>	4.7%	4.7%	3.0%	2.1%	1.6%
Net Financial Income / (Charges)	(78)	21	(27)	(179)	(50)
<b>EBT</b>	<b>1,202</b>	<b>1,918</b>	<b>1,822</b>	<b>1,202</b>	<b>1,082</b>
<i>% of Total Revenue</i>	4.4%	4.8%	3.0%	1.8%	1.5%
Effective Tax (incl. Prepaid / Advanced / Deferred Tax)	580	663	672	636	714
<b>Net Income / (Loss)</b>	<b>622</b>	<b>1,255</b>	<b>1,150</b>	<b>566</b>	<b>368</b>
<i>YoY Growth Rate</i>	-23.4%	101.8%	-8.4%	-50.8%	-34.9%
<i>% of Total Revenue</i>	2.3%	3.1%	1.9%	0.9%	0.5%

## Balance Sheet – Historical

<i>(All figures in EUR 000s unless mentioned otherwise)</i>	2017	2018	2019	2020	2021
<b>Non-Current Assets</b>					
Plant & Machinery and Other Tangible Assets	1,011	1,095	1,774	1,701	1,451
Rights of Use (IFRS 16)	-	-	4,630	3,701	3,168
Intangible Fixed Assets	3,892	4,001	4,313	5,109	6,934
Goodwill	9,909	16,711	16,711	16,556	15,326
Equity Investments in Associates and Joint Ventures	108	117	119	123	201
Other Non-Current Assets	256	229	107	848	-
Deferred Tax Assets	813	1,199	1,116	1,191	291
<b>Total Non Current Assets</b>	<b>15,988</b>	<b>23,352</b>	<b>28,770</b>	<b>29,230</b>	<b>27,372</b>
<b>Current Assets</b>					
Trade Receivables	3,705	8,364	11,292	10,354	12,465
Other Current Assets	1,746	3,102	4,248	5,143	-
Financial Assets AFS	-	469	491	0	-
Cash & Cash Equivalent	10,706	7,712	8,947	9,866	13,325
<b>Total Current Assets</b>	<b>16,157</b>	<b>19,647</b>	<b>24,977</b>	<b>25,363</b>	<b>25,790</b>
<b>TOTAL ASSETS</b>	<b>32,145</b>	<b>42,999</b>	<b>53,747</b>	<b>54,593</b>	<b>53,162</b>
<b>Equity</b>					
Share Capital	354	373	374	374	374
Reserves	12,925	14,301	15,449	16,344	16,775
Profit (Loss) for the Year	549	1,255	1,150	565	387
Shareholders' Equity of Minority Interests	122	-	-	-	(6)
<b>Total Shareholders' Equity</b>	<b>13,950</b>	<b>15,930</b>	<b>16,973</b>	<b>17,283</b>	<b>17,531</b>
<b>Non-Current Liabilities</b>					
Payables to Banks & Other Financiers	1,772	343	1,445	3,383	2,271
Liabilities of Right of Use Long Term	-	-	3,629	2,697	2,300
Provisions for Risks & Charges	98	178	200	89	937
Provisions for Personnel	1,115	1,321	1,719	1,984	2,266
Deferred Taxes	32	258	419	542	-
Other Non-Current Liabilities	-	3,748	3,000	3,000	-
<b>Total Non Current Liabilities</b>	<b>3,017</b>	<b>5,849</b>	<b>10,412</b>	<b>11,694</b>	<b>7,774</b>
<b>Current Liabilities</b>					
Trade Payables	4,711	8,077	12,964	11,827	14,190
Due to Banks & Other Lenders Short Term	1,680	1,472	992	986	1,235
Liabilities Right of Use Short Term	-	-	1,018	1,029	998
Other Current Liabilities	8,789	11,671	11,389	11,774	11,435
<b>Total Current Liabilities</b>	<b>15,179</b>	<b>21,220</b>	<b>26,362</b>	<b>25,616</b>	<b>27,858</b>
<b>TOTAL LIABILITIES &amp; SHAREHOLDERS' EQUITY</b>	<b>32,145</b>	<b>42,999</b>	<b>53,747</b>	<b>54,593</b>	<b>53,162</b>



## Income Statement Summary – Projected

<i>(All figures in EUR 000s unless mentioned otherwise)</i>	2023P	2024P	2025P	2026P	2027P
<b>Revenue</b>	<b>125,237</b>	<b>147,450</b>	<b>167,884</b>	<b>184,391</b>	<b>195,060</b>
<i>YoY Growth Rate</i>	21.4%	17.7%	13.9%	9.8%	5.8%
<b>Gross Profit</b>	<b>38,431</b>	<b>48,972</b>	<b>57,084</b>	<b>63,695</b>	<b>68,372</b>
<i>% of Total Revenue</i>	30.7%	33.2%	34.0%	34.5%	35.1%
<i>YoY Growth Rate</i>	29.0%	27.4%	16.6%	11.6%	7.3%
<b>EBITDA</b>	<b>8,708</b>	<b>15,057</b>	<b>19,325</b>	<b>22,411</b>	<b>24,904</b>
<i>% of Total Revenue</i>	7.0%	10.2%	11.5%	12.2%	12.8%
<i>YoY Growth Rate</i>	116.7%	72.9%	28.3%	16.0%	11.1%
<b>EBIT</b>	<b>4,952</b>	<b>11,685</b>	<b>16,093</b>	<b>19,187</b>	<b>21,623</b>
<i>% of Total Revenue</i>	4.0%	7.9%	9.6%	10.4%	11.1%
<b>EBT</b>	<b>4,914</b>	<b>11,647</b>	<b>16,055</b>	<b>19,149</b>	<b>21,585</b>
<i>% of Total Revenue</i>	3.9%	7.9%	9.6%	10.4%	11.1%
<b>Net Income / (Loss)</b>	<b>3,105</b>	<b>7,355</b>	<b>10,137</b>	<b>12,091</b>	<b>13,631</b>
<i>YoY Growth Rate</i>	-908.8%	136.9%	37.8%	19.3%	12.7%
<i>% of Total Revenue</i>	2.5%	5.0%	6.0%	6.6%	7.0%

## Balance Sheet – Projected

<i>(All figures in EUR 000s unless mentioned otherwise)</i>	2023P	2024P	2025P	2026P	2027P
<b>Non-Current Assets</b>					
Tangible Fixed Assets	1,426	1,418	1,430	1,451	1,473
Rights of Use (IFRS 16)	1,445	1,056	771	564	412
Intangible Fixed Assets	6,364	6,336	6,511	6,781	7,077
Goodwill	6,136	8,336	10,536	10,536	10,536
Equity Investments in Associates and Joint Ventures	17,251	17,251	17,251	17,251	17,251
Other Non-Current Assets	3,239	3,239	3,239	3,239	3,239
Deferred Tax Assets	239	239	239	239	239
<b>Total Non Current Assets</b>	<b>36,101</b>	<b>37,876</b>	<b>39,978</b>	<b>40,061</b>	<b>40,227</b>
<b>Current Assets</b>					
Trade Receivables	22,817	26,791	30,386	33,199	35,030
Other Current Assets	3,695	4,058	4,401	4,704	4,944
Cash & Cash Equivalent	18,303	22,288	28,798	38,911	50,131
<b>Total Current Assets</b>	<b>44,815</b>	<b>53,136</b>	<b>63,586</b>	<b>76,814</b>	<b>90,106</b>
<b>TOTAL ASSETS</b>	<b>80,916</b>	<b>91,012</b>	<b>103,564</b>	<b>116,875</b>	<b>130,333</b>
<b>Equity</b>					
Share Capital	1,603	1,603	1,603	1,603	1,603
Reserves	16,613	19,719	27,073	37,211	49,302
Profit (Loss) for the Year	3,105	7,355	10,137	12,091	13,631
Shareholders' Equity of Minority Interests	-	-	-	-	-
<b>Total Shareholders' Equity</b>	<b>21,322</b>	<b>28,677</b>	<b>38,814</b>	<b>50,905</b>	<b>64,536</b>
<b>Non-Current Liabilities</b>					
Payables to Banks & Other Financiers	4,499	4,499	4,499	4,499	4,499
Liabilities of Right of Use Long Term	2,028	2,028	2,028	2,028	2,028
Provisions for Risks & Charges	167	167	167	167	167
Provisions for Severance and Pension	3,732	3,732	3,732	3,732	3,732
Other Non-Current Liabilities	2,000	2,000	2,000	2,000	2,000
<b>Total Non Current Liabilities</b>	<b>12,426</b>	<b>12,426</b>	<b>12,426</b>	<b>12,426</b>	<b>12,426</b>
<b>Current Liabilities</b>					
Trade Payables	22,481	25,459	28,546	30,960	32,292
Short Term Debt	206	206	206	206	206
Liabilities Right of Use Short Term	776	776	776	776	776
Other Current Liabilities	23,705	23,469	22,796	21,602	20,097
<b>Total Current Liabilities</b>	<b>47,168</b>	<b>49,910</b>	<b>52,324</b>	<b>53,544</b>	<b>53,371</b>
<b>TOTAL LIABILITIES &amp; SHAREHOLDERS' EQUITY</b>	<b>80,916</b>	<b>91,012</b>	<b>103,564</b>	<b>116,875</b>	<b>130,333</b>

## Valuation

Equity Value of Growens stands between **€100.5 million and €122.8 million**

Equity Value per share for Growens stands between **€6.76 and €8.26**

*(All figures in € thousands)*

Valuation Approach	Variance	Equity Value as on 9-Dec-2022	Price per Share (€)
Downside Case	-10%	103,984	6.76
Base Case	0%	115,537	7.51
Upper Case	10%	127,091	8.26

## Important information on Arrowhead methodology

The principles of the valuation methodology employed by Arrowhead BID are variable to a certain extent, depending on the sub-sectors in which the research is conducted. But all Arrowhead valuation research possess an underlying set of common principles and a generally common quantitative process.

With Arrowhead commercial and technical due diligence, Arrowhead researches the fundamentals, assets and liabilities of a company, and builds estimates for revenue and expenditure over a coherently determined forecast period.

Elements of past performance such as price/earnings ratios, indicated as applicable, are mainly for reference. Still, elements of real-world past performance enter the valuation through their impact on the commercial and technical due diligence.

We have presented the Discounted Cash Flow ("DCF") estimate approach for Free Cash Flow to Firm ("FCFF") valuation. We have also presented Comparable Company Analysis. The fair value bracket is built on the basis of these two methods.

## Arrowhead BID Fair Market Value Bracket

The Arrowhead Fair Market Value is given as a bracket. This is based on quantitative key variable analyses such as key price analysis for revenue and cost drivers or analysis and discounts on revenue estimates for projects, especially relevant to projects estimated to provide revenue near the end of the chosen forecast period. Low and high estimates for key variables are produced as a valuation tool.

In principle, an investor comfortable with the high brackets of our key variable analysis will align with the high bracket in the Arrowhead Fair Value Bracket, and, likewise, in terms of low estimates. The investor will also note the Group intangibles to analyze the strengths and weaknesses, and other essential company information. These intangibles serve as supplementary decision factors for adding or subtracting a premium in investor's own analysis.

The bracket should be taken as a tool by Arrowhead BID for the reader of this report and the reader should not solely rely on this information to make his decision on any particular security. The reader must also understand that while on the one hand global capital markets contain inefficiencies, especially in terms of information, on the other, corporations and their commercial and technical positions evolve rapidly. This present edition of the Arrowhead valuation is for a short to medium-term alignment analysis (one to twelve months).

## Estimation of Equity Value

Value of Growens' equity has been arrived at using two approaches – Listed Comparable Analysis and DCF Valuation Approach. The results have been summarized in the table below.

*(All figures in € thousands)*

Valuation Approach	Equity Value as on 9-Dec-2022	Price per share (€)	Weight (%)
Listed Company Analysis	72,339	4.70	50%
DCF Valuation	158,735	10.31	50%
<b>Weighted Average Equity Value</b>	<b>115,537</b>	<b>7.51</b>	<b>100%</b>

### 1. Listed Company Analysis

Listed Comparably Analysis method operates under the assumption that similar companies will have similar valuation multiples such as EV/Sales, EV/EBITDA and P/E. We have shortlisted companies similar in business with Growens based on parameters such as market size, regions of operations etc.

A list of available statistics for the companies was compiled, and the EV/Sales, EV/EBITDA and P/E multiple was calculated for each of the comparable companies. Since most of the data was not normalized, we have left outliers in our calculations. The weighted average of the resulting multiples was then calculated and used as benchmark for valuing Growens and Contactlab.

The weights allocated to the comparable companies were based on the degree of their business match with the subject company. The expected deal consideration was deducted from the combined equity value to calculate equity value of the merged entity.

#### Growens Standalone

*(All figures in € thousands)*

Relative Valuation based on:	Weight	Equity Value as on 9-Dec-2022	Implied Share Price (€)
EV/Sales	34%	148,763	9.66
EV/EBITDA	33%	41,527	2.70
P/E	33%	11,771	0.76
<b>Weighted Average Equity Value</b>	<b>100%</b>	<b>68,168</b>	<b>4.43</b>

#### Contactlab Standalone

*(All figures in € thousands)*

Relative Valuation based on:	Weight	Equity Value as on 9-Dec-2022	Implied Share Price (€)
EV/Sales	50%	22,160	NM
EV/EBITDA	50%	7,271	NM
P/E	0%	NM	NM
<b>Weighted Average Equity Value</b>	<b>100%</b>	<b>14,715</b>	<b>NM</b>

## Combined Entity

(All figures in € thousands)

	Equity Value as on 9-Dec-2022	Implied Share Price (€)
Weighted Average Equity Value of Growens	68,168	4.43
Weighted Average Equity Value of Contactlab	14,715	NM
Less: Expected Deal Consideration	10,543	NM
<b>Weighted Average Equity Value of the Merged Entity</b>	<b>72,339</b>	<b>4.70</b>

Stock Exchange	Ticker	Company Name	Business Match %	EV/Sales	EV/EBITDA	P/E
London Stock Exchange	DOTD	DotDigital Group PLC	50%	4.4	13.5	26.8
New York Stock Exchange	KLR	Kaleyra, Inc.	65%	0.7	NM	NM
Euronext Growth Milan	NSP	Neosperience S.p.A.	50%	2.7	9.4	69.1
Euronext Growth Milan	EXAI	ExpertAi SpA	45%	1.0	NM	NM
Euronext Amsterdam	CMCOM	CM.com NV	60%	1.7	NM	NM
Nasdaq Copenhagen	AGILC	Agillic A/S	45%	4.3	330.6	NM
New York Stock Exchange	HUBS	HUBSPOT, INC.	40%	11.1	NM	NM
NASDAQ Stockholm	SINCH	Sinch AB	50%	1.5	29.9	34.2
Borsa Italiana	DATA	Datrix S.p.A.	40%	3.4	NM	NM
<b>Median</b>				<b>3.0</b>	<b>29.9</b>	<b>34.2</b>
<b>Mean without Outliers</b>				<b>3.2</b>	<b>34.7</b>	<b>43.3</b>
<b>Weighted Average without Outliers</b>				<b>2.0</b>	<b>6.7</b>	<b>31.9</b>
<b>Euronext Growth Milan</b>	<b>GROW</b>	<b>Growens S.p.A.</b>		<b>0.8</b>	<b>11.1</b>	<b>173.8</b>

## 2. Discounted Cash Flow (“DCF”) Approach

- **Valuation Methodology:** The Arrowhead fair valuation for Growens is based on the Discounted Cash Flow (“DCF”) analysis of all the Group’s business units.
- **Time Horizon:** The time period chosen for valuation is 5 years (2023 – 2027).
- **Terminal Value:** Terminal value is based on terminal growth rate of 3.0%.

The following table calculates the weighted average cost of capital of Growens. The expected return on the market is assumed for the broader market.

### Weighted Average Cost of Capital

Valuation	
Risk free rate (Rf)	3.9%
Beta	0.6
Market Risk Premium	9.1%
<b>Cost of Equity</b>	<b>9.3%</b>
<b>Interest Rate Paid on Debt</b>	<b>5.0%</b>
Assumed Weight – Debt	5.0%
Assumed Weight – Equity	95.0%
<b>Weighted Average Cost of Capital (WACC)</b>	<b>9.0%</b>

The following table summarizes the Free Cash Flow to Firm (FCFF) computation for Growens, which is subsequently discounted by Weighted Average Cost of Capital (WACC).

FCFF (All figures in € thousands)					
	2023	2024	2025	2026	2027
Net Income	3,105	7,355	10,137	12,091	13,631
Add: Depreciation and Amortization	3,756	3,372	3,232	3,223	3,281
Add: Interest Expense x (1-Tax Rate)	29	29	29	29	29
Less: CAPEX	4,965	5,147	5,334	3,306	3,447
Less: Increase in Net Working Capital	704	1,595	1,525	1,896	2,245
<b>Free Cash Flow to Firm (FCFF)</b>	<b>1,221</b>	<b>4,014</b>	<b>6,539</b>	<b>10,141</b>	<b>11,249</b>
<b>Terminal Value</b>					<b>193,615</b>
<b>Present Value of Free Cash Flow to Firm (FCFF)</b>	<b>1,121</b>	<b>3,379</b>	<b>5,052</b>	<b>7,189</b>	<b>7,316</b>
<b>Present Value of Terminal Value</b>					<b>125,927</b>

<b>Valuation</b>	
<b>Enterprise Value as on 31-Dec-2022</b>	<b>149,983</b>
<b>Equity Value as on 31-Dec-2022</b>	<b>159,584</b>
<b>Equity Value as on 9-Dec-2022</b>	<b>158,735</b>
Number of Shares Outstanding (in thousands)	15,393
<b>Value per Share (€)</b>	<b>10.31</b>

## Analyst Certifications

We, Aditya Ahluwalia and Kaushik Talukdar, certify that all of the views expressed in this research report accurately reflect our personal views about the subject security and the subject company.

### Important disclosures

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## Appendix

### Glossary

SaaS	Software-as-a-Service
CPaaS	Communication-Platform-as-a-Service
AIM	Alternative Investment Market
ARR	Annual Recurring Revenue
AWS	Amazon Web Services
OTP	One Time Password
OLO	Other Licensed Operators
ROC	Register of Operators in Communication
AGCOM	Italian Authority for Telecommunications Guarantees
BEE	Best Email Editor
QoQ	Quarter-on-Quarter
CRM	Customer Relationship Management
SME	Small and Medium-sized Enterprise
ESP	Email Service Provider
SMS	Short Message Service
SMTP	Simple Mail Transfer Protocol
CRM	Customer Relationship Management
CMS	Content Management System
CDP	Customer Data Platform
MarTech	Marketing Technology
AI	Artificial Intelligence
FCFF	Free Cash Flow to Firm
DCF	Discounted Cash Flow
ARPA	Average Revenue Per Account
NPS	Net Promoter Score

## Notes and References

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<sup>i</sup> [www.grandviewresearch.com/industry-analysis/marketing-automation-software-market](http://www.grandviewresearch.com/industry-analysis/marketing-automation-software-market)

<sup>ii</sup> [www.oberlo.in/blog/email-marketing-statistics](http://www.oberlo.in/blog/email-marketing-statistics)

<sup>iii</sup> [www.verifiedmarketresearch.com/product/sms-marketing-software-market/](http://www.verifiedmarketresearch.com/product/sms-marketing-software-market/)

<sup>iv</sup> [www.warc.com/newsandopinion/opinion/six-martech-trends-to-watch-in-2021/4057](http://www.warc.com/newsandopinion/opinion/six-martech-trends-to-watch-in-2021/4057)