

Italy – Marketing Technology

Solid SaaS ARR growth sustained by BEE

11th January 2023

KPIs Q4/FY-22

RIC: GROWE.MI
BBG: GROW IM

Growens announced growing Annual Recurring Revenues with regard to the SaaS business line as well as soaring revenues related to the CPaaS division. Overall, we believe that the figures unveiled corroborate our sales forecast for FY-22, i.e. € 99.0m, +39.0% YoY including the consolidation of Contactlab for eight months.

Rating:

Neutral

Price Target:

€ 5.00

Upside/(Downside): 18.5%

Last Price: € 4.22

Market Cap.: € 64.9m

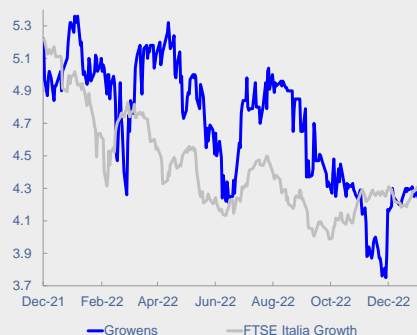
1Y High/Low: € 5.40 / € 3.71

Avg. Daily Turn. (3M, 6M): € 12k, € 18k

Free Float: 34.9%

Major shareholders:

Nazzareno Gorni	10.4%
Alberto Miscia	10.4%
Matteo Monfredini	10.3%
Luca Azzali	10.0%
Matteo Bettoni	9.8%



Stock price performance

	1M	3M	12M
Absolute	-1.9%	-3.9%	-19.8%
Rel.to FTSE IT Growth	-1.8%	-10.5%	-3.8%
Rel.to Peers median	4.4%	-17.9%	30.1%

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Estimates, Rating and PT confirmed

Q4-22 KPIs corroborate CFO SIM's sales forecast for FY-22, i.e. € 99.0m (+39.0% YoY) including the consolidation of Contactlab for eight months. As a consequence, we have left our estimates unchanged. Rating and PT are confirmed. The full set of FY-22 results will be unveiled on March 21st 2023.

ARR related to the SaaS division grew by 28.6% YoY (up by 14.5% organically)

€ m	Dec-22	Dec-21	% YoY
MailUp + Contactlab	15.3	11.5	33.3
BEE	10.1	7.3	37.9
Acumbamail	2.1	1.9	14.2
Datatics	2.2	2.5	(10.1)
Total ARR - SaaS	29.8	23.2	28.6

Source: CFO SIM's elaboration on Company data

Annual Recurring Revenues related to the SaaS division totalled € 29.8m, up by 28.6% YoY thanks to both organic growth (+14.5% YoY) and the consolidation of Contactlab as from May. The business unit which grew the most was BEE, reaching ARR to the tune of € 10.1m, up by 37.9% YoY (\$ 10.8m, up by 27% YoY at constant FX), thanks to a combined increase in both sales volumes and usage. MailUp + Contactlab's ARR were € 15.3m, up by 33.3% YoY (+5.0% YoY organically). It is worth remembering that this figure does not include SMS sales and Contactlab's Agency component. Acumbamail showed an increase in ARR of 14.2% YoY, reaching € 2.1m. Datatics continues to show certain difficulties in returning to growth; in fact, ARR declined 10.1% YoY to € 2.2m.

CPaaS turnover soared by 41.6% in 2022, entirely organic

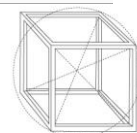
€ m	Q4-22	Q4-21	% YoY	Q3-22	Q3-21	% YoY	Q2-22	Q2-21	% YoY	Q1-22	Q1-21	% YoY
Agile Telecom	16.2	13.4	21.3	17.6	11.0	60.2	16.4	10.7	52.4	14.3	10.7	33.5
CPaaS Revenues	16.2	13.4	21.3	17.6	11.0	60.2	16.4	10.7	52.4	14.3	10.7	33.5

Source: CFO SIM's elaboration on Company data

The CPaaS business line, namely the Agile Telecom business unit, totalled revenues of € 64.9m, up by 41.6% YoY. The figure is perfectly in line with our estimate for FY-22, i.e. € 64.1m. In detail, following the remarkable growth reported in Q1, Q2 and Q3, namely +33.5%, +52.4% and +60.2%, respectively, in Q4, Agile Telecom's revenues growth slightly slowed down but continued at double-digits (+21.3% YoY), thanks to several marketing campaigns during Black Friday events and the Christmas holidays. Furthermore, it is worth noting that about 75% of CPaaS turnover in Q4 was made abroad.

Growens, key financials and ratios

€ m	2020	2021	2022e	2023e	2024e
Total Revenues	65.2	71.2	99.0	114.3	126.8
EBITDA	5.1	5.2	4.5	8.0	9.7
EBIT	1.4	1.1	(0.5)	2.9	4.7
Net profit	0.6	0.4	(0.3)	1.8	2.9
NFP (cash)/debt	(2.5)	(6.5)	(1.8)	(5.9)	(11.2)
EBITDA margin	7.8%	7.3%	4.6%	7.0%	7.6%
EBIT margin	2.1%	1.6%	-0.5%	2.6%	3.7%
EPS €	0.04	0.02	(0.02)	0.12	0.19
EPS growth	-50.9%	-34.8%	n.m.	n.m.	61.8%
Free Cash Flow Yield	3.0%	7.5%	-7.2%	6.2%	8.2%
PER x	n.m.	n.m.	n.m.	36.0	22.3
PCF x	16.8	15.2	13.9	9.5	8.2
EV/Sales x	1.06	0.86	0.64	0.52	0.42
EV/EBITDA x	13.6	11.7	13.9	7.4	5.6
EV/EBIT x	50.2	53.9	n.m.	20.2	11.4



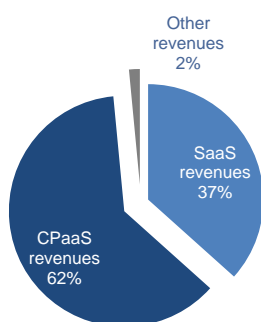
The Company at a Glance

Founded in Cremona (Italy) in 2002 as an email service provider, Growens is now a leading international player in the Global Cloud Marketing Technologies market, one of the fastest growing industries worldwide. The group is a vertically integrated player focusing on messaging and data-driven/multi-channel marketing automation, providing over 26,000 customers in more than 115 countries with a wide range of solutions. Growens operates two business divisions, spread across five synergic business units, corresponding to five different companies.

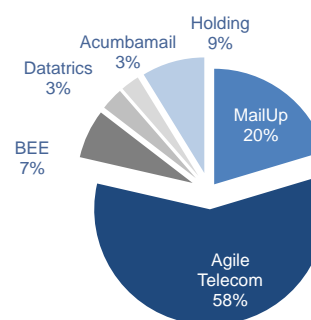
- The SaaS (Software-as-a-Service) division is characterised by subscription-based services supplied to customers via cloud platforms. It includes the following business units: MailUp + Contactlab, BEE, Datriacs and Acumbamail.
- The CPaaS (Communication-Platform-as-a-Service) division includes the Agile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

The group has been on a significant growth path since its establishment: set up as a start-up in 2002, Growens closed FY-21 with revenues of € 71.2m, EBITDA of € 5.2m, 7.3% margin and over 260 employees. Moreover, EBIT stood at € 1.1m and Net Income totalled € 0.4m. Net Financial Position was € 6.5m cash, thanks to huge cash-flow generation. Since the IPO in 2014 the group's revenues increased by a CAGR₁₃₋₂₁ of 33.2%, thanks to organic growth boosted by a few acquisitions.

2021 breakdown by business division...



... and by business unit



Current shareholder structure

Shareholders	%	# m
Nazzareno Gorni	10.4%	1.61
Alberto Miscia	10.4%	1.61
Matteo Monfredini	10.3%	1.59
Luca Azzali	10.0%	1.55
Matteo Bettoni	9.8%	1.51
Pronti Gianluca	5.9%	0.91
BMC Holding B.V. *	6.6%	1.01
Ex Contactlab's shareholders *	1.2%	0.19
Treasury shares	0.3%	0.05
Free Float	34.9%	5.37
Total	100.0%	15.39

Source: Company data

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

Peer group absolute performance

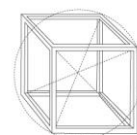
%	1D	1W	1M	3M	6M	YTD
dotDigital Group PLC	0.3	6.9	(4.4)	11.0	12.9	6.9
CM.com NV	(0.7)	8.9	(7.8)	21.3	(4.2)	11.6
Kaleyra Inc	4.0	(5.0)	(7.7)	14.1	(60.1)	30.8
Link Mobility Group Holding	(2.7)	(2.1)	(12.2)	9.2	(32.6)	1.3
Sinch AB (publ)	0.9	17.7	24.2	207.8	115.7	28.4
Mobile Messaging median	0.1	3.4	(7.7)	17.7	(18.4)	20.0
HubSpot Inc	0.9	(0.3)	(6.3)	10.7	5.8	(0.0)
Neosperience SpA	0.3	(1.3)	1.9	33.8	(4.2)	5.1
Predictive Marketing median	0.6	(0.8)	(2.2)	22.3	0.8	2.6
Growens SpA	(0.7)	(2.1)	(1.9)	(3.9)	(15.3)	(1.6)

Source: Refinitiv Eikon

Peer group multiples table

Price & EV multiples x	SALES FY1	SALES FY2	EBITDA FY1	EBITDA FY2	EBIT FY1	EBIT FY2	PER FY1	PER FY2
dotDigital Group PLC (Email Marketing)	3.17	2.82	9.6	8.6	14.7	13.2	21.5	20.2
CM.com NV	1.23	1.06	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
Kaleyra Inc	0.55	0.51	9.0	8.4	n.m.	n.m.	n.m.	n.m.
Link Mobility Group Holding ASA	0.98	0.82	8.0	6.1	22.7	12.5	14.4	8.5
Sinch AB (publ)	1.79	1.53	17.3	13.4	n.m.	33.7	n.m.	65.0
Mobile Messaging median	1.11	0.94	9.0	8.4	22.7	23.1	14.4	36.8
HubSpot Inc	7.70	6.33	61.9	53.0	85.6	74.5	117.2	96.5
Neosperience SpA	1.74	1.29	5.5	4.2	17.1	8.5	33.1	13.9
Predictive Marketing median	4.72	3.81	33.7	28.6	51.3	41.5	75.1	55.2
Growens SpA	0.64	0.52	13.9	7.4	n.m.	20.2	n.m.	36.0

Sources: CFO SIM, Refinitiv Eikon



Income statement (€ m)	2020	2021	2022e	2023e	2024e
Total revenues	65.2	71.2	99.0	114.3	126.8
COGS	(43.9)	(47.4)	(70.3)	(77.7)	(85.0)
Gross Profit	21.4	23.8	28.7	36.6	41.9
Sales & Marketing	(6.4)	(7.3)	(10.4)	(11.7)	(12.7)
Research & Development	(2.9)	(3.2)	(4.5)	(5.1)	(5.7)
General costs	(7.0)	(8.1)	(9.3)	(11.8)	(13.8)
EBITDA	5.1	5.2	4.5	8.0	9.7
D&A	(3.7)	(4.1)	(5.0)	(5.0)	(5.0)
EBIT	1.4	1.1	(0.5)	2.9	4.7
Financials	(0.2)	(0.0)	(0.1)	(0.1)	(0.1)
Re/(Devaluation) of financial assets	0.0	0.0	0.0	0.0	0.0
Extraordinary	0.0	0.0	0.0	0.0	0.0
Pre-Tax profit	1.2	1.1	(0.5)	2.9	4.6
Income taxes	(0.6)	(0.7)	0.2	(1.1)	(1.7)
Minorities	0.0	0.0	0.0	0.0	0.0
Net Profit	0.6	0.4	(0.3)	1.8	2.9
Net Profit adj.	0.6	0.4	(0.3)	1.8	2.9
Balance sheet (€ m)	2020	2021	2022e	2023e	2024e
Net Working Capital	(1.5)	(1.7)	0.9	1.2	1.2
Net Fixed Assets	27.1	26.9	29.6	27.6	25.6
Equity Investments	0.1	0.1	0.1	0.1	0.1
Other M/L Term A/L	(10.9)	(14.2)	(15.2)	(15.8)	(16.1)
Net Invested Capital	14.8	11.0	15.4	13.1	10.7
Net Financial Position	(2.5)	(6.5)	(1.8)	(5.9)	(11.2)
Minorities	0.0	0.0	0.0	0.0	0.0
Group's Shareholders Equity	17.3	17.5	17.2	19.0	21.9
Financial Liabilities & Equity	14.8	11.0	15.4	13.1	10.7
Cash Flow statement (€ m)	2020	2021	2022e	2023e	2024e
Total net income	0.6	0.4	(0.3)	1.8	2.9
Depreciation	3.7	4.1	5.0	5.0	5.0
Other non-cash charges	0.9	4.3	1.0	0.5	0.4
Cash Flow from Oper. (CFO)	5.2	8.7	5.6	7.4	8.3
Change in NWC	(0.2)	0.3	(2.6)	(0.3)	0.1
FCF from Operations (FCFO)	5.0	9.0	3.0	7.0	8.3
Net Investments (CFI)	(3.0)	(4.1)	(7.8)	(3.0)	(3.0)
Free CF to the Firm (FCFF)	2.0	4.9	(4.7)	4.0	5.3
CF from financials (CFF)	(1.0)	(1.4)	0.0	0.0	(0.0)
Free Cash Flow to Equity (FCFE)	0.9	3.5	(4.7)	4.0	5.3
Financial ratios	2020	2021	2022e	2023e	2024e
EBITDA margin	7.8%	7.3%	4.6%	7.0%	7.6%
EBIT margin	2.1%	1.6%	-0.5%	2.6%	3.7%
Net profit margin	0.9%	0.5%	-0.3%	1.6%	2.3%
Tax rate	53.0%	65.9%	37.0%	37.0%	37.0%
Op NWC/Sales	-2.3%	-2.4%	0.9%	1.1%	0.9%
Interest coverage x	0.13	0.04	(0.15)	0.02	0.01
Net Debt/EBITDA x	(0.49)	(1.25)	(0.40)	(0.74)	(1.16)
Debt-to-Equity x	(0.15)	(0.37)	(0.11)	(0.31)	(0.51)
ROIC	3.8%	3.3%	-2.1%	13.7%	27.2%
ROCE	5.1%	4.1%	n.m.	9.5%	13.6%
ROACE	5.1%	4.1%	-1.6%	9.9%	14.4%
ROE	3.3%	2.1%	-1.9%	9.5%	13.3%
Payout ratio	0.0%	0.0%	0.0%	0.0%	0.0%
Per share figures	2020	2021	2022e	2023e	2024e
Number of shares # m	14.97	14.97	15.39	15.39	15.39
Number of shares Fully Diluted # m	17.37	17.37	16.53	16.53	16.53
Average Number of shares Fully Diluted # m	17.37	17.37	16.95	16.53	16.53
EPS stated FD €	0.03	0.02	(0.02)	0.11	0.18
EPS adjusted FD €	0.03	0.02	(0.02)	0.11	0.18
EBITDA €	0.29	0.30	0.27	0.48	0.59
EBIT €	0.08	0.07	(0.03)	0.18	0.28
BV €	0.99	1.01	1.04	1.15	1.33
FCFO €	0.29	0.52	0.18	0.43	0.50
FCFF €	0.11	0.28	(0.28)	0.24	0.32
FCFE €	0.05	0.20	(0.28)	0.24	0.32
Dividend €	0.00	0.00	0.00	0.00	0.00



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DATE	TARGET PRICE	RATING
11/01/2023	€5.00	NEUTRAL
11/11/2022	€5.00	NEUTRAL
13/09/2022	€5.00	NEUTRAL
12/07/2022	€6.20	BUY
16/05/2022	€6.20	BUY
12/04/2022	€6.60	BUY
25/03/2022	€6.20	BUY

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