

# Growens

Sector: Marketing Technology



## Analysts

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## Goodbye Email Provider, time for BEE to fly

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

### Disposal of the Email Service Provider Business

Back as of February 3<sup>rd</sup> 2023, Growens has announced the signing of a €70mn binding agreement for the disposal of the “Email Service Provider” company branch to TeamSystem. The deal’s perimeter involves the following business units:

- 1) MailUp+Contactlab;
- 2) Acumbamail;
- 3) MailUp Nordics+Globase.

Total deal consideration stands at €70mn with €62mn gross of tax capital gain, while a withdrawal right for Growens shareholders has been set at €4.39 per share. The transaction, that should be finalized by the end of June 2023, will result in a new Group perimeter, consisting of BEE, Agile Telecom, and Datatrics.

### What’s next

The disposal materially modifies Growens growth-profitability profile. Indeed, Growens is monetizing the value created with the “legacy” business, i.e. the one which is currently more profitable but also with the lowest expected growth rates ahead.

The proceeds from the deal should be partially reinvested in BEE, fostering its growth both organically and through M&A, and partially due to deliver cash returns to shareholders.

### Fair value increased to €6.80 (from €6.00)

The disposal price is much higher than the value that was included in our SOP value and confirms, once again, that multiples in the public market are currently much lower than those agreed in private deals.

As the company has announced that part of the ca. €62mn cash pile will be used to foster BEE growth, both organically and via M&A, we deem fair to apply some 25% visibility / execution discount to such amount, also because M&A in the USA (where BEE could find targets to complement its product offer) can be extremely expensive.

As a result, we are revising upwards our fully diluted Sum-of-the-Parts calculation to €6.80 (from €6.00).

**Fair Value (€)** 6.80  
**Market Price (€)** 5.60  
**Market Cap. (€m)** 86.2

KEY FINANCIALS (€m)	2021A	2022PFE	2023PFE
TOTAL REVENUES	71.2	106.1	88.6
EBITDA	5.2	4.5	2.7
EBIT	1.1	-0.8	-0.5
NET PROFIT	0.4	-0.9	61.0
NET PROFIT ADJ.	0.4	-0.5	0.0
EQUITY	17.5	16.6	77.6
NET FINANCIAL POS.	6.5	0.5	61.7
EPS ADJ. (€)	0.02	-0.03	0.00

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

KEY RATIOS (€m)	2021A	2022PFE	2023PFE
EBITDA MARGIN (%)	7.3	4.2	3.1
EBIT MARGIN (%)	1.6	nm	nm
NET DEBT / EBITDA (x)	nm	nm	nm
NET DEBT / EQUITY (x)	nm	nm	nm
EV/SALES (x)	1.0	0.8	0.3
EV/EBITDA (x)	14.0	19.5	9.8
EV/EBIT (x)	64.2	nm	nm
P/E ADJ. (x)	nm	nm	nm

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

### STOCK DATA

FAIR VALUE (€)	6.80
MARKET PRICE (€)	5.60
SHS. OUT. (m)	15.4
MARKET CAP. (€m)	86.2
FREE FLOAT (%)	37.0
AVG. -20D VOL. (#)	15,133
RIC / BBG	GROW.MI / GROW IM
52 WK RANGE	3.95-5.60

Source: Stock Market Data



## Business Description

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

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

## Key Financials

€mn	2021A	2022PFE	2023PFE	2024E
<b>Total Revenues</b>	<b>71.2</b>	<b>106.1</b>	<b>88.6</b>	<b>97.0</b>
Chg. % YoY	9.2%	48.9%	-16.5%	9.5%
<b>EBITDA</b>	<b>5.2</b>	<b>4.5</b>	<b>2.7</b>	<b>3.4</b>
EBITDA Margin (%)	7.3%	4.2%	3.1%	3.5%
<b>EBIT</b>	<b>1.1</b>	<b>-0.8</b>	<b>-0.5</b>	<b>0.2</b>
EBIT Margin (%)	1.6%	-0.8%	-0.5%	0.2%
<b>Net Profit</b>	<b>0.4</b>	<b>-0.9</b>	<b>61.0</b>	<b>0.2</b>
Chg. % YoY	-34.8%	-356.9%	-6542.0%	-99.7%
<b>Adjusted Net Profit</b>	<b>0.4</b>	<b>-0.5</b>	<b>0.0</b>	<b>0.2</b>
Chg. % YoY	-34.8%	-228.0%	-100.0%	nm
<b>Net Fin. Position</b>	<b>6.5</b>	<b>0.5</b>	<b>61.7</b>	<b>61.7</b>
Net Fin. Pos. / EBITDA (x)	nm	nm	nm	nm
Capex	-4.1	-4.2	n.m.	-5.0
<b>OpFCF b.t.</b>	<b>4.7</b>	<b>-0.3</b>	<b>n.m.</b>	<b>-3.9</b>
OpFCF b.t. as % of EBITDA	89.7%	-6.8%	n.m.	n.m.

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

## Investment case

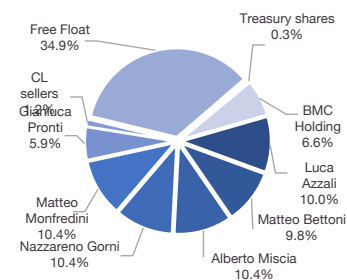
### Strengths / Opportunities

- ◆ After the disposal of the ESP business Growens has material cash pile to utilize for growth and granting cash return to shareholders;
- ◆ Highly diversified customer base ranging from professional marketers to developers and to wholesalers both at a domestic and international level;
- ◆ Intense and effective R&D effort generating high-value opportunities.

### Weaknesses / Risks

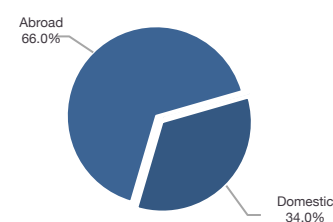
- ◆ Much smaller size if compared to Anglo-Saxons competitors;
- ◆ MarTech moves fast and Growens capability to keep up with the pace could be limited due to its small size.

## Shareholders Structure



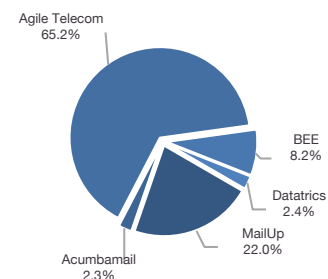
Source: Growens SpA

## 9M22 Revenues by geography



Source: Growens SpA

## 9M22 Revenues by business line



Source: Growens SpA

## Stock multiples @ €6.80 Fair Value

	2023PFE	2024E
EV / SALES (x)	0.6	0.5
EV / EBITDA (x)	16.1	13.1
EV / EBIT (x)	nm	nm
EV / CAP.EMP. (x)	2.9	2.8
OpFCF Yield (%)	6.6	<0.0
P / E (x)	nm	nm
P / BV (x)	1.4	1.4
Div. Yield. (%)	0.0	0.0

Source: Value Track

## Disposal of the “Email Service Provider” business

Back on Friday, February 3<sup>rd</sup> 2023, Growens has announced the signing of a binding agreement for the disposal of the ESP business (Email Service Provisioning) to Teamsystem.

### The deal at a glance

The deal’s perimeter involves the disposal of:

- 1) MailUp Business Unit;
- 2) Contactlab;
- 3) Acumbamail;
- 4) MailUp Nordics and its subsidiary Globase International.

As far as FY2022E figures are concerned, we estimate the disposed assets to account for ca. €26mn Revenues (25% of total Group Revenues), ca. €3.2mn EBITDA (70% of total Group EBITDA), ca.260 people in Italy, Spain and Denmark, and ca. €4.4mn Net Cash.

### Growens: 2021-22E Group Revenues split between disposed assets and “stub”

	2021FY	1H22	2H22E	2022E
Disposed assets (ESP)	18.7	11.7	14.7	26.4
Retained assets (Stub)	52.5	35.5	44.2	79.7
Total Growens Group	71.2	47.2	58.9	106.1

Source: Value Track Analysis

### Growens: 2021-22E Group EBITDA split between disposed assets and “stub”

	2021FY	1H22	2H22E	2022E
Disposed assets (ESP)	3.2	1.3	1.9	3.2
Retained assets (Stub)	2.0	0.1	1.3	1.3
Total Growens Group	5.2	1.4	3.1	4.5

Source: Value Track Analysis

### Terms of the deal

The transaction involves:

- ◆ **Total gross cash in of €70mn**, subject to adjustments according to Net Financial Position figures of disposed assets as of the closing date, i.e. June 2023;
- ◆ **€62mn capital gain** gross of tax, (ca. €61mn net of tax, participation exemption applies);
- ◆ Ca. €1.1mn deal transaction costs and ca. €2.2mn one off cash payment to ContactLab previous shareholders;

We calculate deal multiples at ca. 2.6x EV/Sales and ca. 22.0x EV/EBITDA FY22E. Last but not least, it arises a withdrawal right for Growens shareholders, with price set at €4.39 per share, calculated as the arithmetic average of the stock price over the last 6 months.

### Rationale of the deal

The disposal materially modifies Growens growth-profitability profile. Indeed, Growens is monetizing the value created with the “legacy” business, i.e. the one which is currently more profitable but also with the lowest expected growth rates ahead.

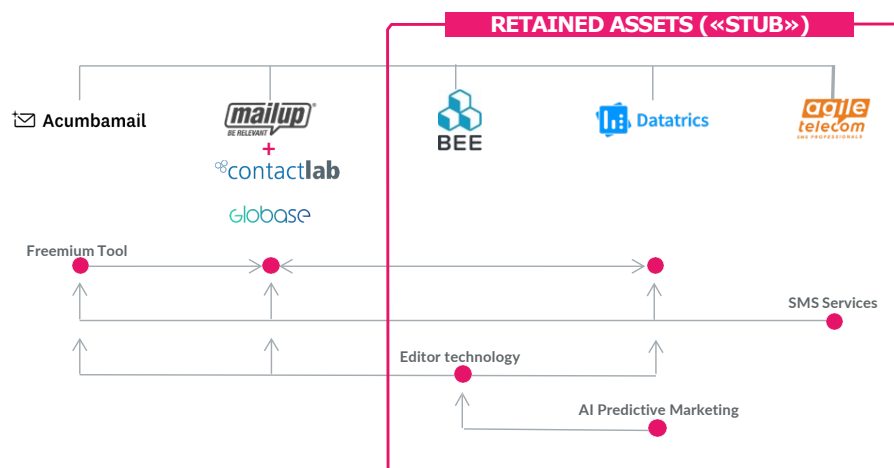
The proceeds from the deal should be partially reinvested in the highest growing business (BEE), and partially due to deliver cash returns to shareholders.

## What's next

The transaction should indicatively be finalized by the end of June 2023 and will result in a **new Group perimeter**, consisting of BEE, Agile Telecom and Datatrics.

The massive amount of proceeds generated from the deal (which approaches the most recent market capitalization of the entire Group) represents a game-changing event for the company and open the way to new strategies.

### Growens: New business perimeter post ESP disposal



Source: Value Track Analysis, Growens

### #1 Use of proceeds: focus on BEE

We expect to see an allocation of resources strongly tilted towards BEE. More in specific:

- ◆ **Organic growth:** heavy marketing investments to support the business;
- ◆ **M&A growth:** in the last update we noted how Growens was already keeping an eye on possible M&A targets. The amount of proceeds obtained makes it possible to look beyond Europe and assume acquisitions even at US multiples.

On the other hand, we expect to see less focus on Agile Telecom and Datatrics becoming more marginal in the group's strategy.

### #2 Use of proceeds: ensuring returns for investors

We expect Growens to incorporate in its strategy a heavier focus on investor returns as well as a premium for those who have proven to be more loyal. Once the guarantee period to TeamSystem is over (not before 2024) we expect Growens to evaluate a possible dividend distribution.

#### 1# Strategy: possible rethinking of the business perimeter

In the deal press release there was no mention of the future of Agile Telecom and Datatrics, so we cannot exclude the possibility that Growens will want to further concentrate the business perimeter.

#### 2# Strategy: possible changes to the corporate structure

As far as the corporate structure is concerned, we cannot exclude the possibility that in the medium term a different type of business, such as an unlisted company or listed only in the US, could be taken into account.

## Estimates Update

Taking into account our 2023E forecasts, we calculate that stripping entirely out the disposed assets would impact Revenues and EBITDA as follows:

- ◆ **Top line** decreases by €31.3mn (2023E pro-forma at €88.6mn vs €119.9mn pre deal);
- ◆ **Ebitda** decreases by €4.3mn (2023E pro-forma at €2.7mn vs. €7.0mn pre deal);

### Growens: 2023E key financial figures split between disposed assets and “stub”

	Revenues		EBITDA		EBITDA Margin (%)	
	2022E	2023E	2022E	2023E	2022E	2023E
MailUp + Contactlab	24.0	28.2	2.7	3.9	7.7%	14.0%
Agile Telecom	69.0	75.0	2.2	3.0	1.6%	4.0%
Acumbamail	2.4	3.1	0.5	0.3	9.9%	11.0%
BEE	8.3	10.5	1.0	0.4	3.7%	4.0%
Datatrix	2.4	3.1	-1.7	-0.3	-75.2%	-10.0%
Holding	6.0	6.0	-0.4	-0.5	-8.9%	-9.0%
Consolidation Adj.	-6.0	-6.0	0.3	0.1	-1.9%	-2.3%
<b>Group Total</b>	<b>106.1</b>	<b>119.9</b>	<b>4.5</b>	<b>7.0</b>	<b>1.0%</b>	<b>1.0%</b>
<b>o/w Disposed assets (ESP)</b>	<b>26.4</b>	<b>31.3</b>	<b>3.2</b>	<b>4.3</b>	<b>12%</b>	<b>14%</b>
<b>Retained assets (“Stub”)</b>	<b>79.7</b>	<b>88.6</b>	<b>1.3</b>	<b>2.7</b>	<b>1.7%</b>	<b>3.1%</b>

Source: Value Track Analysis

In addition, the deal should impact 2023 bottom line by ca. €60m, related to the capital gain net of tax, while improving Growens net cash position by ca. €61.7mn.

As far as 2024 forecasts are concerned, our preliminary analysis on the financials of the “stub” business highlights the following hints:

- ◆ Total Revenues should be up some 10% y/y, averaging the lower growth rates of Agile Telecom with the higher ones of BEE;
- ◆ EBITDA margin should stand in the 3%-4% region, as result of:
  - BEE that we expect to focus on growth rather than on profitability;
  - Agile Telecom, business of which is historically poorly profitable;
  - Datatrix, which is still unprofitable.
- ◆ Moderately positive working capital, mainly due to Agile Telecom's receivables;
- ◆ Capex might increase up to €5mn per annum in order to foster BEE's growth;
- ◆ Widely positive net cash position, to be used as soon as possible for pushing BEE's growth.

### Growens: P&L figures 2022E-25E

€mn	2022PFE	2023PFE	2024E	2025E
<b>Total Revenues</b>	<b>106.1</b>	<b>88.6</b>	<b>97.0</b>	<b>105.7</b>
COGS + Labour Costs	-101.6	-85.9	-93.6	-101.5
<b>Reported EBITDA</b>	<b>4.5</b>	<b>2.7</b>	<b>3.4</b>	<b>4.2</b>
Depreciation & Amortization	-5.3	-3.2	-3.2	-3.2
<b>EBIT</b>	<b>-0.8</b>	<b>-0.5</b>	<b>0.2</b>	<b>1.0</b>
Net Fin. Income (charges)	0.1	0.1	0.1	0.1
Extraordinary items	0.0	62.0	0.0	0.0
<b>Pre-tax Profit</b>	<b>-0.7</b>	<b>61.7</b>	<b>0.3</b>	<b>1.1</b>
Taxes	-0.2	-0.7	-0.1	-0.3
<b>Net Profit</b>	<b>-0.9</b>	<b>61.0</b>	<b>0.2</b>	<b>0.8</b>
<b>Adjusted Net Profit</b>	<b>-0.5</b>	<b>0.0</b>	<b>0.2</b>	<b>0.8</b>

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

### Growens: Balance Sheet figures 2022E-25E

€mn	2022PFE	2023PFE	2024E	2025E
Net Working Capital	-11.7	5.0	5.0	5.5
Net Fixed Assets	31.5	13.0	14.0	15.8
Provisions	3.7	2.2	2.4	2.9
<b>Total Capital Employed</b>	<b>16.1</b>	<b>15.9</b>	<b>16.6</b>	<b>18.4</b>
<b>Group Net Equity</b>	<b>16.6</b>	<b>77.6</b>	<b>78.3</b>	<b>79.1</b>
<b>Net Fin. Position [i.e. Net Debt (-) Cash (+)]</b>	<b>0.5</b>	<b>61.7</b>	<b>61.7</b>	<b>60.7</b>

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

### Growens: Cash Flow figures 2022E-25E

€mn	2022PFE	2023PFE	2024E	2025E
<b>Reported EBITDA</b>	<b>4.5</b>	<b>2.7</b>	<b>3.4</b>	<b>4.2</b>
Change in NWC	-1.2	n.m.	0.0	-0.5
Change in Provisions	0.6	n.m.	1.4	0.5
Capex	-4.2	n.m.	-5.0	-5.0
Fin. Inv. / Disposal	-5.6	61.7	0.0	0.0
Cash Taxes	-0.2	n.m.	-0.1	-0.3
Other (Incl. Fin. Inv.)	0.0	n.m.	0.3	0.1
<b>Net Cash generated</b>	<b>-6.0</b>	<b>61.2</b>	<b>0.0</b>	<b>-1.0</b>

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

## Valuation update

In our latest update on Growens, published back as of November 2022, we valued the assets now under disposal at ca. €40mn, leading Growens Sum-of-the-Parts based fair value at €6.00 per share.

### Growens: Sum-of-the-Parts valuation as of November 2022 (latest update)

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

Source: Value Track Analysis

The net proceeds that Growens has agreed to receive (€62mn net of tax, fees and other items) would represent, on a purely arithmetical basis, a €22mn additional value to be factored in S-o-P fair value, i.e. ca. €1.43 per share. However, as the company has announced that part of the cash pile will be used to foster BEE growth, both organically and via M&A, we deem fair to apply some kind of visibility / execution discount to such amount, also because M&A in the USA (where BEE could find targets to complement its product offer) can be extremely expensive. Overall, we would apply ca. 25% discount, averaging 10% discount on possible one-off dividend in 2024E and 30% discount on residual M&A cash pile. At the same time, we're reducing holding costs capitalization by ca. 20%. As a result, we update Growens Sum-of-the-Parts based fair value at ca. €6.80 per fully diluted share.

### Growens: Assigning a market value to the €70mn cash in from assets disposal

Company	Face Value (€mn)	Discount (%)	Mkt Value (€mn)
Possible €1.0 p.s. one-off dividend in 2024	15.4	10%	13.9
M&A cash pile	46.6	30%	32.6
<b>Proceeds from assets disposal</b>	<b>62.0</b>	<b>25.0%</b>	<b>46.5</b>

Source: Value Track Analysis

### Growens: Sum-of-the-Parts valuation post disposals

Company	Stake (%)	EV (€mn)	Valuation Method
Agile Telecom	100%	38.6	1.0x EV/Sales '22 - 10.0x EV/EBITDA '22
BEE	95.2%	38.1	4.0x EV/ARR (Annual Recurring Revenue)
Datatrix	100%	9.7	4.0x EV/ARR (Annual Recurring Revenue)
Holding costs		-28.2	
Mkt Value of Net Cash Position PF		46.5	
<b>Net Asset Value (€mn)</b>		<b>104.7</b>	
<b>Fair equity value per share (€ p.s.)</b>		<b>6.80</b>	

Source: Value Track Analysis

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