

Due Diligence and Valuation Report

Arrowhead code:	75-03-03
Coverage initiated:	04-Jun-2021
This document:	04-Oct-2021
Fair value bracket (per share):	€8.38 to €10.24
Share Price (01 Oct):	€4.46

Analyst Team

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Market Data

52-Week Range:	€3.81 - €5.16
52-Week Average Daily Volume:	10.22k
Market Cap. on date:	€66.1 million

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

EUR	'21P	'22P	'23P	'24P	'25P
NI (mn)	0.03	2.27	4.31	7.09	10.95
EPS	0.00	0.15	0.29	0.47	0.73

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 omni-channel marketing automation.

The Group has 5 key business units – MailUp, Agile Telecom ("Agile"), BEEfree.io, Datatrics and Acumbamail, and generates revenue from email, SMS, predictive marketing, and do-it-yourself ("DIY") content design products. SMS revenue contributed 50% to 70% of the Group's total revenue in the last five years, and Agile Telecom generated most of it.

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 five acquisitions since 2015 to bring more products and services under the Growens umbrella and is currently in advanced acquisition discussions with two companies.
2. Agile Telecom is the Group's largest business with partnerships with 50+ telecom operators worldwide. It sends close to two billion SMSs each year, including almost half of all marketing and transactional messages in Italy. Agile's growth is



Company:	Growens S.p.A.
Ticker:	BIT.GROW
Headquarters:	Milan, Italy
CEO:	Nazzareno Gorni
Website:	www.growens.io

likely to plateau over the next few years with SMSs losing popularity.

3. BEE, having achieved 30% YoY sales growth (42%+ in USD) and 47.7% EBITDA growth in H1'21, is likely to be Growens' principal growth driver going forward, with significant growth expected in the coming years. The Group believes that BEE is a self-financing business that can grow rapidly without significant external capital.
4. Growens has hired almost 60% of the 60+ employees (23% of the 2020 employee count) it planned to hire in the current financial year. Most of the hirings have been for Customer Success and Sales & Marketing roles at BEE and Datatrics teams, as the Group looks to scale these businesses.

Key Risks

We believe that Growens has a medium risk profile. The Group has a stable revenue generator in Agile and potential high-growth businesses in BEE and Datatrics. However, these businesses are positively correlated to economic sentiment and consumer spending. While both these economic parameters have started improving due to the easing Covid situation, the Group might face some headwinds over the coming months with fears of another wave.

Valuation & Assumptions

Based on its due diligence and valuation estimates, Arrowhead believes that Growens' fair share value lies in the €8.38 to €10.24 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 €8.24, while a relative valuation provides a fair value of €10.37.

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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 own growth plateaus

Agile Telecom currently generates more than 60% of the Group's revenue. The company's growth has started flattening with clients moving to other modes of messaging. The company generated sales of €22.3 million in H1'21 versus €20.7 million in H1'20, translating to a 7.6% YoY growth. This growth was primarily due to a recovery of SMS data traffic with the improving Covid situation, and might accelerate over the next two to three quarters as the Covid impact subsides further. However, we expect Agile's revenue growth to be considerably slower over the medium and long term and the Group does not plan to invest materially in Agile's top line growth in the next few years, focusing on margins instead.

Despite a 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 considering licensing the company's proprietary SMS engine to other service providers. However, no decision has been made on it yet. In addition to financing other group companies' organic growth initiatives, Agile's revenues 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 that is based in San Francisco, CA. BEE is a design platform that aims to help non-designers design high-impact marketing materials (such as brochures, marketing emails, restaurant menus etc.) with ease. It also has features that help professional designers improve the quality and efficiency of their output. The platform is 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. The company generated cash sales of €2.4 million in H1'21 versus €1.8 million in H1'20, translating to a 30% YoY growth (42.2% net of the forex effect). Growens expects BEE to become its flagship business going forward and continue growing significantly to become a €5 million to €10 million business in the next three to five years.

Aggressive hiring plans to support BEE's scale up

Growens is investing aggressively in BEE and hopes that it will be a self-sustaining business that does not require significant external capital to finance its growth, despite these aggressive growth expectations. The Group has embarked on a massive scale up drive for BEE by starting to hire for BEE's Customer Success, Sales & Marketing, and Product Development teams. The Group has planned 30% of its 60+ hirings for 2021 for BEE, and has already completed close to 60% of these hirings for BEE. The Group is also planning to enter partnerships with software developers to plugin BEE into their software and expand through this B2B2E route rather than directly marketing to end users.

Developing new capabilities and features 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.

Focus on inorganic growth to continue

Growens' immediate strategic focus is on scaling BEE and Datatrics 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. However, the Group will also simultaneously continue to focus on acquiring new businesses that can complement their existing businesses. It has laid out its hiring priorities for the coming years and is already in advanced stage acquisition discussions with two companies. Growens expects to complete one of these acquisitions by the end of 2021 and the second acquisition in 2022. The Group's acquisition priorities for the coming years include innovative businesses in the SaaS or Marketing Technology space that can expand the Group's product and service portfolio and email service providers such as MailUp to consolidate its current markets and enter new markets.

Company Presentation

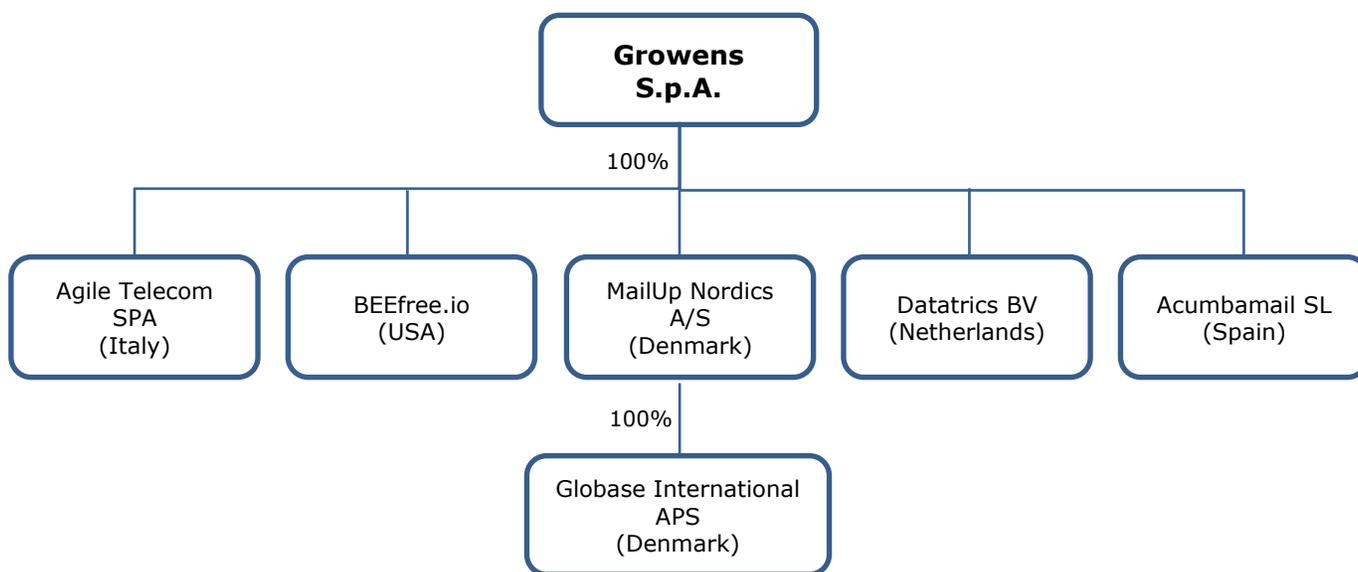
Growens S.p.A. (“Growens” or “the Group”, previously MailUp S.p.A.) is a vertically integrated Cloud Marketing Technologies (“MarTech”) business that owns a leading SMS technology company, Agile Telecom, along with four other businesses in the areas of Marketing Analytics, Content Design, and Multi-Channel Marketing Automation. The Group has expanded its scope of services and market presence through an aggressive inorganic strategy since its early days. It has acquired five companies since 2015 and is currently in advanced acquisition discussions with two other companies within the Software-as-a-Service (“SaaS”) space. The Group expects to close the larger deal out of these two by year-end 2021 and the second one in 2022. Growens’ key acquisitions include Acumbamail (Spanish market and Latin America), Globase (Nordics market), Agile Telecom (SMS wholesale market) and Datatrics (artificial intelligence).

The Group currently focusses on the development and sale of:

1. Technologies for the mass sending of emails and mobile messaging, in particular 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

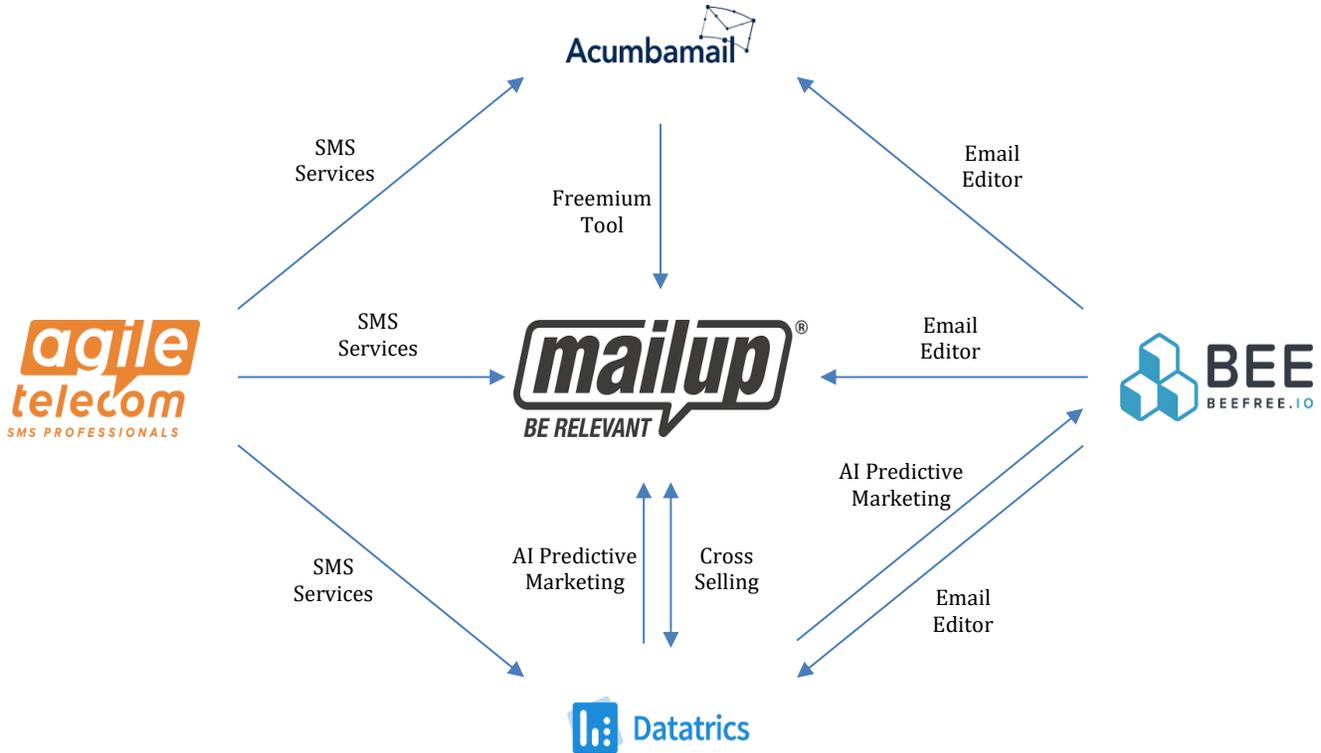
These focus areas strategically tie up with the SaaS multi-channel campaign management platform developed by the parent company Growens S.p.A., formerly MailUp S.p.A., under the brand MailUp (“MailUp”). This platform helps smoothly manage campaigns through email, newsletter, SMS, and messaging apps.

At a consolidated level, Growens provides services to over 26,000 customers across 115 countries. It has a global presence with offices in three continents and a staff of over 260 employees. In 2014, the Group got admitted to trading on the 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, Agile Telecom, Datatrics, BEEfree.io and Acumbamail.



Starting H1'21, 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 are categorized as SaaS revenues.

Agile Telecom SPA

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 password ("OTP") that are necessary for the successful completion of digital payments and money transfers. 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.

Agile serves 300+ wholesale clients, sends approximately 1.9 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 partnered with over 50 telecom companies as well as 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 revenue is plateauing since new messaging alternatives are replacing SMS. The company generated sales of €22.3 million in H1'21 versus €20.7 million in H1'20, translating to a 7.6% YoY growth. This growth was primarily due to a recovery of SMS data traffic with the improving Covid situation, and might accelerate over the next two to three quarters as the Covid impact subsides further. However, we expect Agile's revenue growth to be considerably slower over the medium and long term and 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 important 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 revenue and profits will also be critical to continue financing the Group's aggressive inorganic growth plans and transition from an SMS-dominated business to a SaaS-dominated business.

Further Monetization Possible: Agile generates modest profit margins of close to 10% and the Group 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. Growens has the option of increasing Agile's revenue by licensing its technology or selling off the business. The Group is still evaluating the licensing option and is unlikely to sell Agile in the foreseeable future since it plans to finance inorganic and organic growth initiatives using only group revenues (of which Agile is the largest contributor) as of now, without raising much additional capital.

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 that is 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 sales of €2.4 million in H1'21 versus €1.8 million in H1'20, translating to a 30% YoY growth (42.2% net of the forex effect). The company enjoys a Net Promoter Score ("NPS") of 56 and its Annual Recurring Revenues ("ARR") exceeds

USD 7 million as of August 2021. BEE launched new functionalities and signed several major clients in H1'21. However, the impact of these will not fully reflect in the company's financials until 2022 when the subscriptions generate major revenue gains. BEE's portfolio comprises the following:

BEE: BEE is a freemium product that end users can access directly (BEE Free and BEE Pro) as well as through a SaaS plugin (BEE Plugin) to BEE's partner applications. The free version 'BEE Free' comprises a collection of templates that were pre-designed by BEE's designer community and currently has approximately one million users. The premium 'BEE Pro' offering has over 9,000 subscribers and is available in the form of individual and group plans that are priced at \$15 per months and upwards.

The company's SaaS plugin 'BEE Plugin' has a usage-based pricing model and is currently embedded by ca. 600 software developers. The company currently generates almost equal revenues from the application and the plugin. However, while BEE Pro's revenue has increased significantly in H1'21, BEE Plugin has experienced a slowdown. Growens invests approximately 10% of BEE's revenue in R&D to develop new templates and add more content types.

As of May-end 2021, BEE had 50 employees, including 20 Sales & Marketing employees and 25 developers. The Sales & Marketing employees were based in Europe and the US, while the entire development team was in Italy. Almost 30% of the 60 employees Growens plans to hire in 2021 are to be hired for BEE and a majority of the hirings at BEE are to be for Sales & Marketing and Customer Success roles. Many of the planned hirings for BEE are now complete and the remaining are likely to be completed by the end of the year.

MailUp Nordics A/S: MailUp Nordics is a Growens sub-holding based in Denmark that controls 100% of Globase International APS, a Danish company that Growens acquired in 2015. Globase specializes in advanced digital marketing automation services for customers in the Nordics market. In March 2019, Globase completed the transition to the new V3 platform, directly derived from MailUp, which improved sending performance and efficiency in the delivery of messaging services. Therefore, as of April 2019, Globase is no longer separately represented as a product business unit, since it only carries out a commercial branch activity for the resale of MailUp and, as of May 2019, of Datatrics. Since March 2020, part of the Globase team has been collaborating with the BEEfree.io team in accounting activities for high-end BEE Pro customers.

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 enjoys a monthly average revenue per account of ("ARPA") of €715+ and has 95%+ recurring revenues.

Expansion to Italy: Growens acquired Datatrics in 2018 and it currently contributes very little to the Group's revenue (4% of revenue in H1'21). The acquisition by Growens helped Datatrics expand its business into Italy and Latin America. Datatrics' revenue has suffered significantly (8.8% decline to €1.3 million in H1'21 from €1.5 million H1'20) because of companies cutting their marketing budgets or going out of business due to the pandemic. However, the Group sees Datatrics as its fastest growing business after BEE in the medium and long term because of the growing demand for marketing automation.

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 up.

Reorganization Due to Covid Impact: Growens is working on an operational reorganization of Datatrics so that it can respond more efficiently to the post-Covid market environment. The reorganization is aimed at creating a leaner company with a higher skill level so that it can focus on unified client management. Pursuant to this reorganization, Datatrics migrated to Amazon Web Services ("AWS") towards the end of 2020. The company also transitioned towards a more scalable and self-provisioning model that better utilizes its partner network. The Company also strengthened its top management by hiring a Marketing Manager, a Head of Sales, and a Head of Customer Value Management. Growens expects this reorganization to start generating benefits by Q3'21.

Acumbamail SL

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 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. 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 over 3,500 paying users and more than 67,000 non-paying users, most of whom are Spanish speaking. The company enjoys a monthly ARPA of €40 and 90%+ recurring revenues.

Acumbamail currently contributes 2.9% of the Group's total revenue and has experienced 31.1% YoY growth to reach a revenue of approximately €1 million in H1'21 from €0.75 million in H1'20. 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.

Corporate Strategy and Future Outlook

Growens has identified BEE and Datatrics as its primary growth drivers, at least for the next three to five years. The Group will focus on the following three areas to realize this growth:

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 businesses in adjacent areas.

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 to achieve this growth. The Group planned to hire 60+ people this year and has already achieved close to 60% of this target with most of the hirings 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 in H1'21, including Alessandro Tarquini as Growens' Head of Business Controlling and Eugenio Colazzo as Growens' Cyber Security Manager. The Group expects to start experiencing the benefits of new hirings towards the end of 2021.

Agile Telecom currently has 16 employees and Growens does not plan to hire any new employees for Agile since it is no longer a growing business. As a stable cash generator, its main role going forward will be that of a financier for the Group's emerging businesses. No major hiring is planned for MailUp either, because all its open positions were filled last year and Daniele Pelleri was hired as Marketing Director in July 2021.

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 partnerships with software developers for BEE Plugin.

Datatrics is likely to focus mostly on adding new analytical capabilities as well as develop 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.

The Group is already in advanced acquisition discussions with two companies and plans to continue looking out for other synergistic businesses to acquire. The Group's planned focus areas for acquisitions are:

1. Innovative businesses in the SaaS or Marketing Technology space that can expand the Group's product and service portfolio.
2. Email service providers such as MailUp to consolidate its current markets and enter new markets.

The Group has €9.8 million in cash (as of 30 June 2021) and expects to generate sufficient revenue in the next three to five years to finance these acquisitions without the need to raise additional capital.

News

[Growens Hires 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 Continues Share Buyback](#)

September 22, 2021

Growens announced that it purchased 3,384 of its own treasury shares at an average price of €4.444493 per share on AIM Italia for a total value of €15,040.16. This buyback is in continuation of the Group's frequent share buyback practice. As of 21 September 2021, Growens directly holds 132,023 treasury shares, translating to 0.88% of its subscribed and paid-up share capital.

[Growens Reinforces its Management with Two New Hires](#)

July 19, 2021

Growens reinforced the Group's management with the onboarding of a new Head of Business Controlling (Alessandro Tarquini) and a Cyber Security Manager (Eugenio Colazzo). Growens also announced the strengthening of its MailUp business unit with the onboarding of a new Marketing Director (Daniele Pelleri).

[Growens Publishes 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 to 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 Announces 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.

[Datatrix Reinforces its Management Line with 3 New Hires](#)

April 15, 2021

Growens announced the strengthening of its Datatrix business unit with the addition of three new management roles in the Sales, Marketing and Customer Value Management areas.

[Growens Enters 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 Enters "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 Wins 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 Launches 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.

[CFO SIM Publishes Initiation of Coverage Report on Growens](#)

December 19, 2019

Growens announced the publication of report by CFO SIM, a leading Italian bank. Growens and CFO SIM have agreed on corporate broking service including the production and distribution of financial analysis, adding to the coverage already provided by UBI Banca, Value Track and Fidentiis.

[Growens Wins Award for H1 2019 Sales & EBITDA Growth](#)

November 22, 2019

Growens announced winning the "H1 2019 Growth Award" during the 6th edition of the IRTop AIM Investor Day in Milan based on Sales & EBITDA growth.

[Growens Wins 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 Enters 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.

[Growens Closes Purchase of 100% of Datatrics](#)

December 18, 2018

Growens announced the final closing of Datatrics' acquisition. The BoD completed the relevant activities with respect to capital increase of €1.56 million (share premium included) based by BoD in Oct 2018 and paid via contribution in kind of 409 Datatrics shares, representing 40.94% of its share capital.

[Growens Completes First Closing of Purchase of 100% of Datatrics](#)

October 30, 2018

Growens announced the first closing of acquisition of 100% of share capital of Datatrics. The transaction was closed by purchasing all 999 Datatrics shares from BMC Holdings for a total consideration of €3.8 million.

[UBI Banca Publishes Initiation of Coverage Report on Growens](#)

October 18, 2018

Growens announced the publication of report by UBI Banca, a leading Italian bank. Growens and CFO SIM have agreed on corporate broking service including production and distribution of financial analysis, adding to the coverage already provided by Value Track and Fidentiis.

[Growens Signs Binding Agreement for Purchase of 100% of Dutch-based Datatrics](#)

September 19, 2018

Growens announced the signing of a binding agreement for the acquisition of 100% of share capital of Dutch-based Datatrics, a company founded in 2012 with a state-of-the-art predictive marketing platform, thus entering the artificial intelligence space.

[Growens Enters the SaaS 1000 Ranking](#)

September 13, 2018

Growens announced its entry into the "SaaS 1000", a global ranking of highest-growing SaaS companies that adopts a range of indicators including recruitment trends and team expansion rates.

Listing Information

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

Contacts

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Major Shareholders as on 22 September 2021

Equity Holder	No. of ordinary shares held	% shareholding
Nazzareno Gorni	1,604,755	10.7%
Alberto Miscia	1,602,254	10.7%
Matteo Monfredini	1,593,462	10.6%
Luca Azzali	1,546,040	10.3%
Matteo Bettoni	1,505,440	10.0%
Pronti Gianluca	912,766	6.1%
BMC Holding B.V.	587,859	3.9%
Treasure Shares	132,023	0.9%
Free Float (Market)	5,486,447	36.6%
Total	14,971,046	100%

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 in 1999, a company specializing in network engineering & web applications
- Co-founded Growens 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 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 in Professional Coaching
- Started as 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 physiotherapists, radio speaker, and a successful technology entrepreneur
- Recently sold the startup he co-founded, AdEspresso, to Hootsuite
- One of the European Top Angels (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 asset 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 25 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.

MailUp is among the key businesses in Growens' portfolio with significant market traction. The company enjoys an NPS of 35 and has a monthly ARPA of €100, with 70% recurring revenues and 96% net retention. Mailup has displayed solid revenue growth in recent periods and its performance has progressively improved as the Covid impact has worn off. MailUp's revenue grew to €8.2 million in H1'21 from €8.1 million in H1'20, translating to a 1.7% YoY growth. June and July have been among the company's strongest months of the year so far in terms of revenue growth and we expect the company's performance to remain strong in the coming months unless there is a Covid-related relapse in the market. 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 userbase and revenues. Consistent with this approach, the Group is investing significantly in expanding MailUps functionality and user experience, especially outside Italy. The Group is also exploring international partnerships so that MailUp can be made available in more overseas markets.

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.

Datatrics BV

1. Customer Data Platform (CDP)

Datatrics' 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. Datatrics 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.

BEEfree.io Inc.

1. 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 to build their own drag-n-drop editor. BEE Plugin supports 20 languages and is available in subscription packages ranging from \$250 and \$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 own tool.

Technology

MailUp

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.

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.

Datatrix

Datatrix's 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. Datatrix 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 Amazon Web Services ("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 8,000 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 own 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 \$4.1 billion in 2019 and is expected to more than double and reach \$8.7 billion by 2027¹.

Attractive new opportunities are emerging throughout this long MarTech value chain – right from data collection to analysis and implementation. These opportunities have inspired several Merger & Acquisition 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 form 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 2022ⁱⁱ. Email continuing to remain a critical marketing communication tool in the foreseeable future is, therefore, undoubtable, 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 apps 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 2027ⁱⁱⁱ.

Emerging Trends^{iv}

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 in 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 resource, 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. Currently the Covid-19 outbreak is the most material macroeconomic challenge confronting the entire world economy. 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. Although Europe and most other geographies appear to be gradually emerging from Covid and reopening, substantial uncertainty still prevails with fears of further 'waves' of Covid. 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 risk profile.

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 fulfil 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. We feel that Agile has a LOW credit risk overall because Agile telecom mostly receives payment in advance from customers and most of the revenue from other businesses is also received in advance due to the subscription model. 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 own organic growth. In fact, we believe that the Group could generate aggregate free cash flows of close to €30 million between 2021 and 2025, implying it will have enough cash not only for its operational requirements but also to finance acquisitions and investing 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. Although a high percentage of Growens' debt is variable rate debt, we don't see the Group experiencing any interest rate-related discomfort in the near future because interest rates are likely to continue being relatively low over the next two to three years as central banks facilitate economic recovery after the Covid-19 shock. In fact, the Group might consider raising more debt to benefit from this extended low interest rate environment, even though it is likely to 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' revenue increased from €21.6 million to €65.2 million from 2016 to 2020, translating to a CAGR of 31.8%. This growth primarily came from the Group's SMS business, which grew at a CAGR of 40.4% over this period. BEE revenues also grew at a supernormal CAGR of 121% over this period. However, this growth did not have a significant impact on the Group's overall growth since BEE revenues represented less than 4% of the Group's revenue during this period.

Revenue and Profitability: The Group's revenue grew marginally by 7.3% YoY in 2020 because of a massive slowdown in all revenue streams. SMS revenues and Email revenues, which made up 68.2% and 23.7% of the Groups total revenue in 2020, only achieved YoY growth of 4.2% and 8.6% respectively in 2020, compared to a 57.2% and 33.7% YoY growth in 2019 and a CAGR of 40.4% and 13.7% between 2016 and 2020. BEE revenues grew by 62.1% YoY in 2020 compared to 97.3% in 2019 and a CAGR of 121% between 2016 and 2020. Growens' home market Italy being among the most impacted countries by Covid-19 was the most significant reason for the slowdown in the Group's growth. The volume of marketing emails and SMSs fell significantly because consumers could not leave their homes for shopping, dining, and other activities. Additionally, many businesses shut down and many cut their marketing budgets.

The Group's overall revenue growth remained low in 2021, largely because of a continued overdependence on Agile and MailUp, which together accounts for 90% of the Group's revenues. Agile is well past its high growth stage and generated a low revenue growth of 7.6%. BEE and Acumbamail generated strong YoY revenue growth of 30% and 31.1%, respectively, in H1'21, while MailUp generated a marginal YoY revenue growth of 1.7% over the same period. In addition to slow-growing businesses Agile and MailUp, Growens' overall revenue growth was dragged down to 6.3% YoY in H1'21 by negative consolidated adjustments of €4.9 million versus €3.7 million in H1'20. Significantly, BEE's ARR exceeded USD 7 million as of August 2021. The Group has started categorizing its revenue as "CPaaS revenue" and "SaaS revenue" starting H1'21. CPaaS (Communication-Platform-as-a-Service) revenue, which includes most of Agile's revenue accounted for 61.6% (€20.7 million) of the Group's total revenue in H1'21, while SaaS revenue, which comprises revenue from other businesses accounted for 37.1% (€12.5 million) of the Group's total revenue for the period. Other revenues accounted for the remaining 1.3% (€0.5 million) of total revenues.

Despite a stagnation in Agile's growth, Growens' revenue growth has accelerated since June, and we expect the Group's overall growth to be higher in H2'21, as companies increase their marketing spending. However, a potential increase in Covid-19 cases later this year could mar these expectations.

The Group's gross margins increased from 27.5% in 2019 to 31.9% in 2020, primarily because of a decline in purchase costs from 62.6% of revenue in 2019 to 60.0% in 2020. In half-yearly terms, the Group's gross margins increased from 32.6% in H1'20 to 34.4% in H1'21. 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, the expenditure on messaging capacity was also far lower than the previous year, resulting in a lower aggregate purchase cost. The Group's payroll expenses were also significantly lower at 3.9% of revenue in 2020 compared to 5.7% of revenue in 2019. All other major cost heads under Cost of Goods Sold were broadly unchanged as a percentage of revenue compared to the previous year.

Growens' Selling, General, and Administrative Costs increased from 19.6% of revenue in 2019 to 24.1% of revenue in 2020, primarily due to 37.7% increase in Selling and Marketing Costs from €4.4 million (7.2% of revenue) in 2019 to €6.1 million (9.3% of revenue) in 2020. The Group also increased its R&D expenditure by 74.6% from €1.6 million (2.7% of revenue) in 2019 to €2.9 million (4.4% of revenue) in

2020. This R&D expenditure was primarily for BEE and Datatrics as the Group makes a push to scale these businesses. Growens also amortized €2 million of capitalized R&D expenditure in 2020 versus €1.9 million in 2019.

Despite a significant increase in Selling, General, and Administrative Costs, the Group's EBITDA margin remained flat at 7.8% in 2020 versus 7.9% in 2019. In absolute terms, the Group's EBITDA increased from €4.8 million (2.7% of revenue) in 2019 to €5.1 million in 2020. The Group's net income fell from €1.1 million in 2019 (1.9% net margin) to €0.6 million in 2020 (0.9% net margin).

In half-yearly terms, Growens' Selling, General, and Administrative Costs increased from 25.7% of revenue in H1'20 to 27.3% of revenue in H1'21. This included a 39.8% increase in R&D expenses from €1.3 million (4.2% of total revenue) in H1'20 to €1.8 million (5.5% of total revenue) in H1'21. Growens' EBITDA increased from €2.2 million (6.9% EBITDA margin) in H1'20 to €2.4 million (7.1% EBITDA margin) in H1'21, while its Net Income decreased from €0.4 million (1.3% net margin) in H1'20 to €0.13 million (0.9% net margin) in H1'21.

Despite contracting growth in SMS revenues, we expect SMS revenues to continue accounting for over 65% of the Group's revenues until 2025. We expect Email revenues to continue accounting for approximately 20% of the Group's total revenues until 2025 and BEE revenue share to increase from 5.7% of total revenues in 2020 to 8.5% of total revenues in 2025. The profitability implications of this are likely to be an increase in EBITDA margin to a range of 10% to 15% and an increase in net margin to a range of 4% to 7% by 2025.

Capital Structure: Growens' Total Shareholders' Equity increased from €7 million in 2016 to €17.3 million in 2020. The Group's Debt-to-Equity ratio fell from 0.5x in 2016 to 0.3x in 2020, despite the Group raising low-cost debt for R&D investments and acquisitions. We expect the Group's need for leverage to go down in the next few years as its equity reserves build further. However, the Group might continue raising low-cost debt to take advantage of the low interest rate environment that is expected to prevail while the global economy recovers from the impact of Covid-19.

Liquidity Position: Growens had cash ratios between 0.30x to 0.39x and current ratios between 0.63x to 1.06x between 2016 and 2020 with the exception of 2017, when the Group's cash ratio was 0.71x. This indicates a consistently tight liquidity position that can be owed to the Group's low profit margins and high payables and other current liabilities.

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.

Valuation

Equity Value of Growens stands between **€125.4 million and €153.3 million**

Equity Value per share for GROW stands between **€8.38 and €10.24**

(All figures in € thousands)

Valuation Approach	Variance	Equity Value as on 04-Oct-2021	Price per Share (€)
Downside Case	-10%	125,397	8.38
Base Case	0%	139,330	9.31
Upper Case	10%	153,263	10.24

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 04-Oct-2021	Price per share (€)	Weight (%)
Listed Company Analysis	155,256	10.37	50%
DCF Valuation	123,404	8.24	50%
Weighted Average Equity Value	139,330	9.31	100%

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.

The weights allocated to the comparable companies were based on the degree of their business match with the subject company.

(All figures in € thousands)

Relative Valuation based on:	Weight	Equity Value as on 04-Oct-2021	Implied Share Price (€)
EV/Sales	34%	257,424	17.56
EV/EBITDA	33%	153,662	10.63
P/E	33%	34,926	2.70
Weighted Average Equity Value	100%	155,256	10.37

Stock Exchange	Ticker	Company Name	Business Match %	EV/Sales	EV/EBITDA	P/E
London Stock Exchange	DOTD	DotDigital Group PLC	35%	14.9	38.9	67.1
New York Stock Exchange	KLR	Kaleyra, Inc.	65%	3.2	-	-
Nasdaq Stock Market	VG	Vonage Holdings Corp.	65%	3.7	43.1	-
Borsa Italiana	NSP	Neosperience S.p.A.	60%	2.6	11.2	74.0
Borsa Italiana	EXAI	ExpertAi SpA	60%	2.7	-	-
Euronext Amsterdam	CMCOM	CM.com NV	65%	7.2	-	-
Median				3.5	38.9	70.6
Mean without Outliers				3.9	31.0	70.6
Weighted Average without Outliers				3.9	30.2	71.5
Borsa Italiana	GROW	Growens S.p.A.		0.9	12.0	118.1

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 (2021 – 2025).
- **Terminal Value:** Terminal value is based on terminal growth rate of 3.0%.

The following table calculates the cost of equity of Growens. The expected return on the market is assumed for the broader market. We have additionally assumed a company-specific risk to account for the risk involved in taking Growens’ business units forward.

Weighted Average Cost of Capital

Valuation	
Risk free rate (Rf)	2.0%
Beta	1.2
Expected Return on Market	10.0%
Cost of Equity	11.6%
Interest Rate Paid on Debt	5.0%
Assumed Weight – Debt	5.0%
Assumed Weight – Equity	95.0%
Weighted Average Cost of Capital (WACC)	11.3%

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)					
	2021	2022	2023	2024	2025
Net Income	32	2,269	4,309	7,097	10,955
Add: Depreciation and Amortization	2,384	2,665	3,185	3,921	4,868
Add: Interest Expense x (1-Tax Rate)	68	69	82	96	111
Less: CAPEX	1,459	1,842	2,308	2,865	3,537
Less: Increase in Net Working Capital	(310)	310	262	259	266
Free Cash Flow to Firm (FCFF)	1,335	2,851	5,006	7,989	12,131
Terminal Value					151,093
Present Value of Free Cash Flow to Firm (FCFF)	1,200	2,303	3,634	5,211	7,112
Present Value of Terminal Value					88,584

Valuation	
Enterprise Value as on 31-Dec-2021	108,044
Equity Value as on 31-Dec-2021	113,542
Equity Value as on 04-Oct-2021	123,404
Number of Shares Outstanding (in thousands)	14,971
Value per Share (€)	8.24

Analyst Certifications

We, Aditya Ahluwalia and Aman Sabherwal, 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

Arrowhead Business and Investment Decisions, LLC received fees in 2021 and will receive fees in 2021 from Growens S.p.A. for researching and drafting this report and for a series of other services Growens S.p.A., including distribution of this report, investor relations and networking services. Neither Arrowhead BID nor any of its principals or employees own any long or short positions in Growens S.p.A. Arrowhead BID's principals have a mandate for investment banking services from Growens S.p.A. and expect to receive compensation for investment banking activities from Growens S.p.A. in 2021.

Aside from certain reports published on a periodic basis, the large majority of reports are published by Arrowhead BID at irregular intervals as appropriate in the analyst's judgment.

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Appendix

Glossary

SaaS	Software-as-a-Service
CPaaS	Communication-Platform-as-a-Service
AIM	Alternative Investment Market
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

- ⁱ www.grandviewresearch.com/industry-analysis/marketing-automation-software-market
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