


NEUTRAL

TARGET PRICE : 0,89€ (vs 0,54€)  -9%

FOCUS ON PLANETART

## THE FREEPRINTS / PHOTOBOKS CASH MACHINE

PlanetArt crossed a threshold in 2016/17 by reaching €90m in sales and operating breakeven after only four years of existence. This financially autonomous subsidiary has the means to significantly increase its marketing investments, a scenario that we believe would be the most value creating, all the more given that the market potential remains substantial (doubling expected over the next 2-3 years in the United States and Europe) and that expansion in Asia is being studied (India or China?). We have raised our target price to €0.89 (vs. €0.54) but are maintaining our NEUTRAL rating after the stock's strong rally since the beginning of the year (+99%).

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### The PlanetArt success story: €90m in sales and operating breakdown in 4 years

In the space of four years, Claranova has built up a major player in the digital photo printing sector with a leading position in mobile to print in the United States and Europe. Bolstered by a base of 8.4 million users (85% in the mobile segment), PlanetArt's 2016/17 sales equaled €89m, representing average annual growth of +77% over the last four years. FY 2016/17 marked a turning point in the development of this subsidiary, which reached operating breakdown (EBITDA loss of only -€0.3m) and became financially autonomous in order to assure its development.

### Resources to drive strong value-creating growth

Using the cash generated by the business, management will be able to allocate the amounts to be invested in marketing. In order to evaluate the investment strategy to be privileged, we will set out two scenarios that lead us to conclude that value creation would be maximized by the continuation of sustained marketing investments. The chosen scenario allows forecasts for average annual sales growth over 2016/20e of +50% (vs. +33% for the other scenario) and greater FCF generation over the period (cumulative FCF of €60.9m vs. €52.6m).

### A still considerable historical market and ambitions in Asia

In a recent market survey (2014), the penetration of digital photo printing applications was limited to 8-9% in Europe and the United States. The growth potential remains considerable with a doubling at least of the market over the next 2-3 years. PlanetArt also has substantial ambitions in Asia, with development anticipated in Q2 2018, most likely in China or India. We are waiting for official confirmation of this before integrating Asia, whose contribution to sales is estimated at €20m in 2018/19e, with operating breakdown to be reached the following year.

### Target price raised to €0.89 but NEUTRAL rating maintained

After having taken into account PlanetArt's development outlook, we have significantly lifted our valuation of this asset (+60%). This has led to a +30% increase in our SOP valuation to €391m (€0.99) and an upgrade in our target price to €0.89 (vs. €0.54) after applying a -10% discount.

in € / share	2016/17	2017/18e	2018/19e
Adjusted EPS	-0,02	0,01	0,05
chg.	n.s.	n.s.	+341,2%
estimates chg.	+0,0%	-20,4%	+46,6%

ended 30/06	2016/17	2017/18e	2018/19e
PE	n.s.	93,6x	21,2x
EV/Sales	0,57x	1,85x	1,29x
EV/EBITDA	n.s.	56,9x	12,7x
EV/EBITA	n.s.	61,7x	12,9x
FCF yield*	n.s.	1,2%	5,6%
Div. yield (%)	n.s.	n.s.	n.s.

\* After tax op. FCF before WCR

key points	
Share price (€)	0,98
Number of Shares (m)	393,3
Market cap. (€m)	383
Free float (€m)	310
ISIN	FR0004026714
Ticker	CLA-FR
DJ Sector	Technology Services

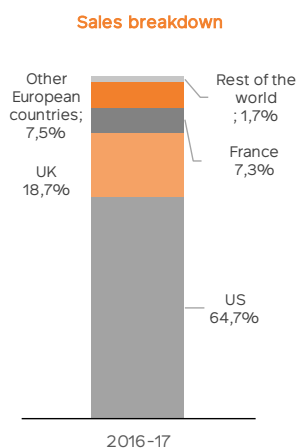
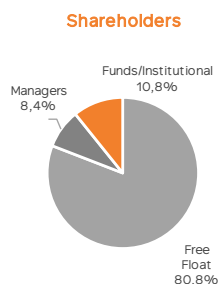
	1m	3m	Ytd
Absolute perf.	+103,5%	+105,3%	+99,0%
Relative perf.	+96,4%	+95,7%	+92,5%

Source : Factset, Invest Securities estimates

## INVESTMENT CASE

Under the impetus of Claranova's new management, a strategy has been developed since 2013 involving a focus on three businesses: 1) PlanetArt in digital photo printing (web and mobile), 2) myDevices in the Internet of Things and 3) Avanquest Software in software distribution. At the same time, management has proceeded with the sale of non-core activities and undertaken far-reaching restructuring. The new group is now restructured and fully operational, as seen by an improvement in profitability and strong cash generation in order to finance growth.

## FINANCIALS



### Next events

07/02/2018: H1 Sales  
28/03/2018: H1 Results  
15/05/2018: Q3 Sales  
08/08/2018: 2017/18 Sales  
02/10/2018: 2017/18 Results  
07/11/2018: Q1 Sales

Share Information	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18e	2018/19e	2019/20e
Published EPS (€)	-3,50	-1,84	-0,03	-0,08	-0,03	0,01	0,06	0,10
<b>Adjusted EPS (€)</b>	<b>-0,06</b>	<b>-0,43</b>	<b>-0,10</b>	<b>-0,05</b>	<b>-0,02</b>	<b>0,01</b>	<b>0,05</b>	<b>0,07</b>
Diff. I.S. vs Consensus	+2,1%	n.s.	+56,3%	-30,4%	-22,3%	ns	+206,5%	nd
Dividend	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00

Valuation ratios	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18e	2018/19e	2019/20e
P/E	n.s.	n.s.	n.s.	n.s.	n.s.	93,6x	21,2x	13,4x
EV/Sales	0,37x	0,36x	0,25x	0,21x	0,57x	1,85x	1,29x	0,88x
VE/EBITDA	10,4x	n.s.	n.s.	n.s.	n.s.	56,9x	12,7x	7,2x
VE/EBITA	n.s.	n.s.	n.s.	n.s.	n.s.	61,7x	12,9x	7,2x
Op. FCF bef. WCR yield	0,4%	n.s.	n.s.	n.s.	n.s.	1,2%	5,6%	10,1%
Op. FCF yield	6,8%	n.s.	n.s.	n.s.	2,3%	2,9%	7,9%	12,9%
Div. yield (%)	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.

NB : valuation based on annual average price for past exercise

Enterprise Value (€m)	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18e	2018/19e	2019/20e
Share price in €	0,53	0,46	0,24	0,10	0,24	0,98	0,98	0,98
Market cap.	10,0	10,7	48,3	35,3	91,2	374,9	384,1	384,1
Net Debt	24,2	18,0	-23,9	-9,8	-16,0	-29,9	-62,4	-108,9
Minorities	1,2	1,3	0,0	0,0	0,1	0,1	0,1	0,1
Provisions/ near-debt	3,3	1,7	1,6	0,7	0,2	0,2	0,2	0,2
+/- Adjustments	-1,1	-0,9	-3,0	-1,1	-0,7	-0,7	-0,7	-0,7
<b>Enterprise Value (EV)</b>	<b>37,5</b>	<b>30,7</b>	<b>22,9</b>	<b>25,2</b>	<b>74,8</b>	<b>344,6</b>	<b>321,2</b>	<b>274,8</b>

Income statement (€m)	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18e	2018/19e	2019/20e
Sales	100,2	85,7	93,1	117,4	130,2	186,3	248,7	311,9
chg.	-1,1%	-14,5%	+8,7%	+26,1%	+10,9%	+43,1%	+33,5%	+25,4%
EBITDA	3,6	-2,1	-8,5	-10,7	-4,9	6,1	25,2	38,2
<b>EBITA</b>	<b>-1,2</b>	<b>-5,9</b>	<b>-11,5</b>	<b>-16,1</b>	<b>-5,8</b>	<b>5,6</b>	<b>24,9</b>	<b>37,9</b>
chg.	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.	+346%	+52%
EBIT	-65,4	-39,4	4,1	-26,1	-10,1	5,5	24,8	37,8
Financial result	-1,5	-1,4	1,1	-1,7	-0,9	0,1	0,2	1,0
Corp. tax	0,9	-2,9	-0,6	-0,8	-0,4	0,0	0,0	0,0
Minorities+affiliates	0,3	0,0	-8,0	0,0	0,3	0,0	0,0	0,0
Net attributable profit	-65,7	-43,8	-3,4	-28,6	-11,0	5,6	25,1	38,8
<b>Adjusted net att. profit</b>	<b>-1,2</b>	<b>-9,9</b>	<b>-20,9</b>	<b>-17,0</b>	<b>-5,8</b>	<b>4,0</b>	<b>18,1</b>	<b>28,6</b>
chg.	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.	+357%	+59%

Cash flow statement (€m)	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18e	2018/19e	2019/20e
EBITDA	3,6	-2,1	-8,5	-10,7	-4,9	6,1	25,2	38,2
Theoretical Tax / EBITA	0,0	0,0	0,0	0,0	0,0	-1,7	-7,0	-10,1
Capex	-3,5	-3,4	-4,4	-0,9	-0,2	-0,3	-0,3	-0,3
<b>Operating FCF bef. WCR</b>	<b>0,1</b>	<b>-5,5</b>	<b>-13,0</b>	<b>-11,6</b>	<b>-5,1</b>	<b>4,1</b>	<b>17,9</b>	<b>27,9</b>
Change in WCR	2,4	3,8	2,5	2,5	6,8	6,1	7,5	7,7
<b>Operating FCF</b>	<b>2,6</b>	<b>-1,7</b>	<b>-10,5</b>	<b>-9,1</b>	<b>1,7</b>	<b>10,2</b>	<b>25,5</b>	<b>35,5</b>
Acquisitions/disposals	0,0	2,9	10,8	-0,4	3,6	0,0	0,0	0,0
Capital increase/decrease	0,2	8,5	31,2	-3,1	1,9	2,1	0,0	0,0
Dividends paid	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Other adjustments	-5,6	-3,5	10,3	-1,5	-1,1	1,7	7,1	10,9
<b>Published FreeCash Flow</b>	<b>-2,8</b>	<b>6,2</b>	<b>41,8</b>	<b>-14,1</b>	<b>6,2</b>	<b>13,9</b>	<b>32,6</b>	<b>46,4</b>

Balance Sheet (€m)	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18e	2018/19e	2019/20e
Assets	69,7	31,2	15,7	3,0	2,0	1,8	1,8	1,9
Intangible assets/GW	58,9	22,8	4,8	0,0	0,0	0,0	0,0	0,0
WCR	-5,3	-9,0	-10,3	-10,0	-16,5	-22,5	-30,1	-37,7
Group equity capital	35,7	1,3	29,3	2,1	1,2	8,8	33,9	72,7
Minority shareholders	1,2	1,3	0,0	0,0	0,1	0,1	0,1	0,1
Provisions	3,3	1,7	1,6	0,7	0,2	0,2	0,2	0,2
<b>Net financial debt</b>	<b>24,2</b>	<b>18,0</b>	<b>-23,9</b>	<b>-9,8</b>	<b>-16,0</b>	<b>-29,9</b>	<b>-62,4</b>	<b>-108,9</b>

Financial ratios	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18e	2018/19e	2019/20e
EBITDA margin	3,6%	n.s.	n.s.	n.s.	n.s.	3,3%	10,1%	12,3%
EBITA margin	n.s.	n.s.	n.s.	n.s.	n.s.	3,0%	10,0%	12,2%
Adjusted Net Profit/Sales	n.s.	n.s.	n.s.	n.s.	n.s.	2,1%	7,3%	9,2%
ROCE	n.s.	n.s.	n.s.	n.s.	n.s.	-26,9%	-88,2%	-105,7%
ROE adjusted	n.s.	n.s.	n.s.	n.s.	n.s.	45,0%	53,5%	39,4%
Gearing	67,8%	1417,1%	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.
ND/EBITDA (in x)	6,7x	n.s.	n.s.	n.s.	n.s.	-4,9x	-2,5x	-2,8x

Source : company, Invest Securities Estimates

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# 1 – PLANETART: LEADER IN MOBILE TO PRINT IN FOUR YEARS

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## 1 – PlanetArt: leader in mobile to print in four years

PlanetArt covers the Claranova’s web and mobile photo and photobook creation and printing activities. In the web to print segment, PlanetArt ranks as a challenger against the segment giants Shutterfly and Cimpres (VistaPrint). However, it is the leader in the mobile to print segment through its FreePrints and FreePrints Photobooks applications.

In the space of four years, Claranova has built up a major player in digital photo printing with a leading position in the mobile segment in the United States and Europe. Bolstered by a base of 8.4 million users (85% in the mobile segment), PlanetArt’s 2016/17 sales reached €89m, representing average annual growth of +77% over the last four years. FY 2016/17 marked a turning point in the development of this subsidiary, which reached operating breakdown (EBITDA loss of only -€0.3m) and became financially autonomous in order to assure its development (end of the cash burn).

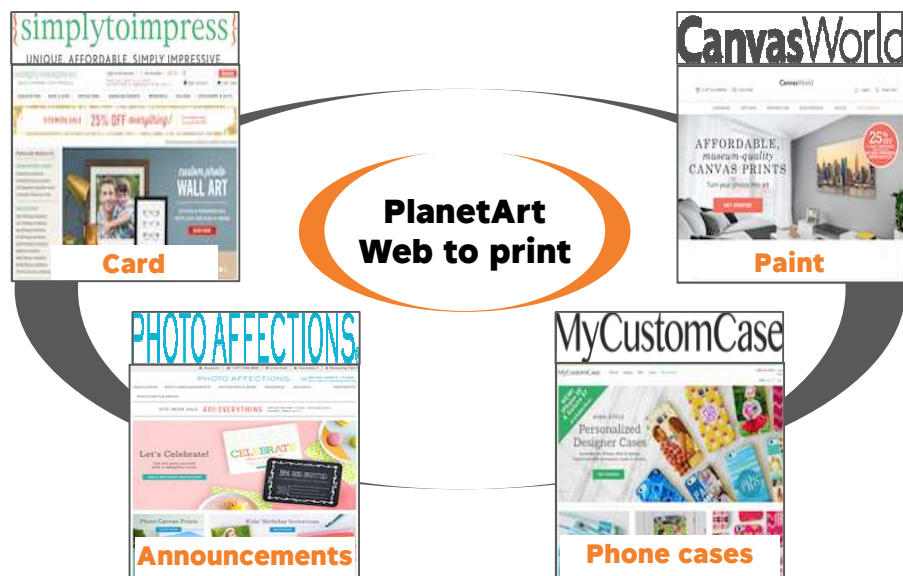
### 1.1 PlanetArt: web but above all mobile

#### 1.1.1 Web to print: a challenger focused on United States through four distinct brands

Claranova has capitalized on its technical expertise (acquired notably in the PC graphics software area) in order to propose a complete offer of digital creation and printing tools through four brands, each with a dedicated website:

- **Simplytoimpress:** cards customizable with text and photos
- **PhotoAffections:** offer focused on announcements / invitations for weddings, births etc.
- **CanvasWorld:** photo printing to make canvas wall art
- **MyCustomCase:** personalized cases for smartphones

4 web sites dedicated to the personalization of cards or objects with pictures



Source: Invest Securities

The web to print activity is essentially conducted in the United States and more marginally in the UK through the Simplytoimpress website.

## 1 – PlanetArt: leader in mobile to print in four years

### 1.1.2 Mobile to print: photos/albums printing from mobile devices

- **FreePrints: a leading application on the digital photo printing market**

Claranova was one of the first players to transpose its expertise acquired on the web to mobile devices. The FreePrints application, launched in the United States at the end of 2013, allows users to order photos from their smartphones for few euros.

The application benefits from very good ergonomics that facilitate the selection and retouching (cropping, enlargement, pivoting) of photos.

FreePrints is available on iOS and Android in the United States (end 2013), the UK (February 2014), France (February 2014), Germany (February 2014), Italy (June 2014), Spain (September 2017) and Ireland (September 2017).

45 10x15cm prints per month for €5.99

#### FreePrints: user experience



Source: Claranova

- **Photobooks: an application dedicated to the creation of photo books**

In 2016, Claranova launched the FreePrints Photobooks application focusing on the creation of photo books. The expansion of the offer has allowed increased monetization of the user base built up through FreePrints and to increase the average basket, with a positive margin impact.

FreePrints Photobooks was launched in the United States and the UK in April 2016, followed by France in December 2016 and more recently Germany and Italy.

One 20-page 15x20 cm photo book per month for €7.99

#### Photobooks: user experience



Source: Claranova

## 1 – PlanetArt: leader in mobile to print in four years

### 1.1.3 FreePrints: an application acclaimed by users

Beyond their importance in terms of referencing, user opinions and ratings play a major role in a new client's willingness to install an application. For its part, Freeprints is hailed by its users, with a very large number of positive opinions on Apple Store and Google Play (android).

FreePrints ratings on Apple Store and Google Play



Source: Apple store, Google Play

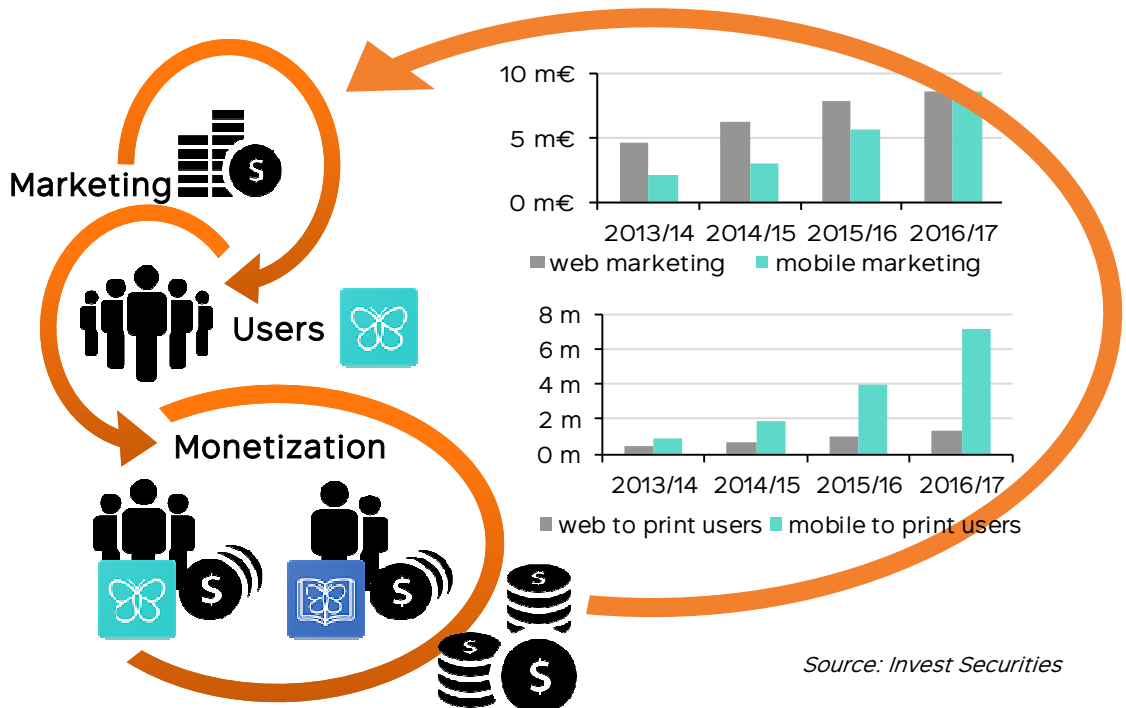
Excellent ratings facilitating referencing in online stores

### 1.2 An efficient business model

#### 1.2.1 A proven business model

PlanetArt's business model is based on its ability to build a strong user base through sustained marketing investments and ergonomic interfaces appreciated by users in order to monetize its audience and build customer loyalty.

Print Business model



Source: Invest Securities

User acquisition cost equal to a few euros

70-85% of sales come from existing users

Two complementary applications offered to a single clientele

According to Claranova, the cost of acquisition of a FreePrints user equals a few euros (estimated at €3 to €3.5), with this investment covered in one year. The superiority of the mobile business model compared to the web lies in the fact that mobile users return in a recurring manner over life cycles of several years (vs. one to two years for the web, concentrated on the yearend holidays). In the mobile segment, as a function of the quarter (i.e. marketing investments), 70-85% of sales come from existing users, with each order showing a positive gross margin.

1 – PlanetArt: leader in mobile to print in four years

1.2.2 Real leadership in the mobile segment

• Web to print: a relatively homogeneous offer dominated by major players

The web to print market is characterized by numerous integrated players generally offering a broad range of products. Differentiation is virtually non-existent and prices are quite similar (excluding promotional offers). The market is dominated by two players, one American (Shutterfly) and the other European (Cimpress), and a no. 3 challenger, the Germany company Cewe. These players all benefit from substantial economies of scale on the purchasing level.

- Cimpress (the owner of Vistaprint): a group listed on the Nasdaq (market cap: \$3.7bn), focused on Europe with 2017 sales of \$1.3bn (+7%)

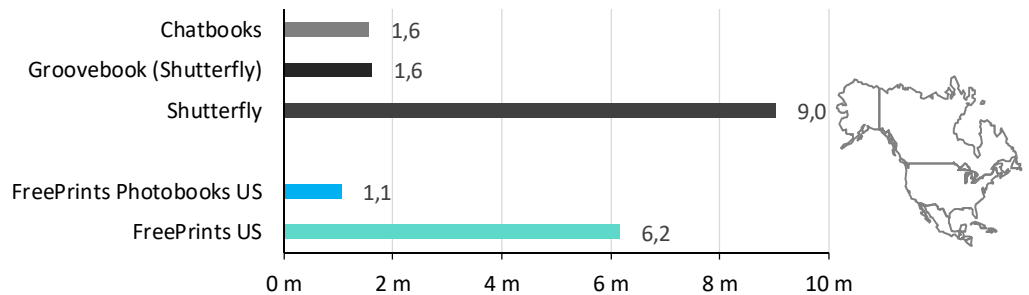
- Shutterfly: also listed on the Nasdaq (market cap: \$1.7Md), generally focused on the United States with 2015 sales of \$1.1bn (+7%)

- Cewe: group listed in Germany (market cap: €0.6bn) with sales of €0.6bn (+7%) in Europe in 2016.

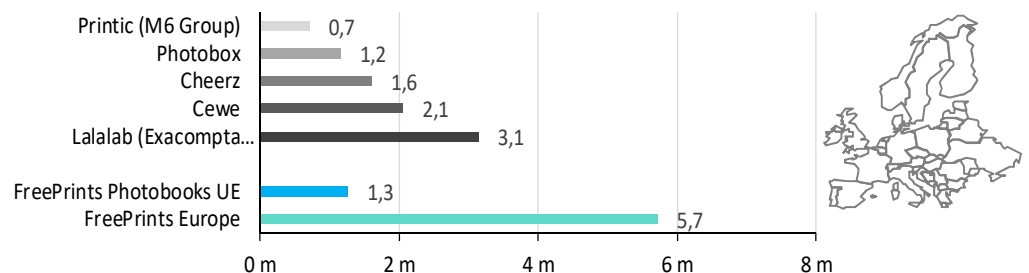
• Mobile to print: disruptive positioning compared to the competition

The PlanetArt applications are based on a low cost model (offering the most quality photos for less), with aggressive loss leaders. PlanetArt has opted for a pure player offer, with two applications specializing in photo printing (FreePrints) and photo book printing (FreePrints Photobooks). The majority of competitors are positioned on a integrated multi-services offer: printing of photos, albums, posters, canvas wall art, goodies etc. As of January 1, 2018, PlanetArt had an estimated base of 14.2 million installed applications divided evenly between the United States and Europe. Production is organized using the Fabless method (in contrast to Shutterfly, Cewe, Cimpress etc.), with significant printing volumes (over one billion photos printed in four years).

Installed photo/album printing applications as of January 1, 2018



In North America, Freeprints ranks no. 2 in installed photo printing applications behind Shutterfly and no. 3 in photo books behind Shutterfly and Chatbooks.



Source: androidrank, Invest Securities

In Europe, a more fragmented market, Freeprints is the leader in photo and photo book printing.

In total between the United States and Europe, Freeprints' installed base is estimated at 14.2m applications, including nearly 12 million for FreePrints and 2.3 million for FreePrints Photobooks.

FreePrints: 14.2 million applications installed in the United States and Europe

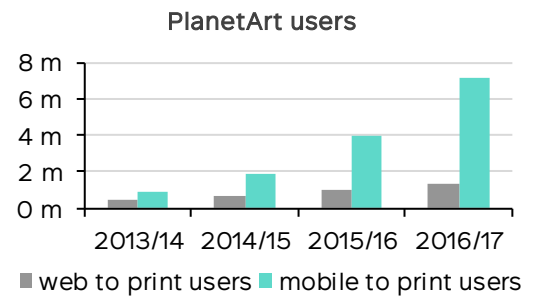
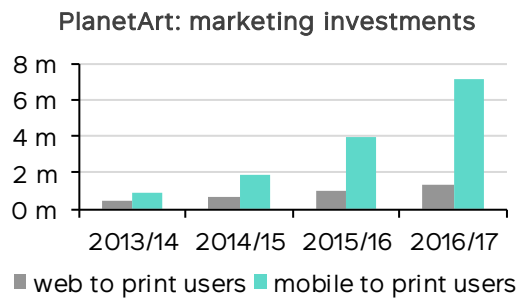


1 – PlanetArt: leader in mobile to print in four years

8.4 million users,  
including 7.1 million  
through mobile  
applications

1.2.3 A significant user base

PlanetArt has made marketing investments in connection with its different websites and applications in order to acquire users. The June 2015 fundraising round responded in part to this objective, with €17m allocated to marketing spending (75% est.) and the balance allocated to R&D (25% est.) in FY 2015/16. Over the last four fiscal years, we estimate that marketing investments equaled €46m, with 46% in the mobile segment and 54% in the web segment. These investments have enabled PlanetArt to build a user base estimated at 1.3 million users in the web segment and 7.1 million users in the mobile segment at of end June 2017.



Source: Claranova, Invest Securities

1.2.4 Synthesis of PlanetArt offers

Website or applications	PlanetArt		
	Web to print	Mobile to print	
	4 dedicated websites	FreePrints	FreePrints Photobooks
<b>Positioning</b>			
Products / services	Cards, wall art, goodies	Photo prints	Photo albums
Platform	web	Apple iOS/ Google android	
Localization	US, UK	US, UK, France, Italy, Germany, Spain, Ireland	
Target audience	Housewives over 40 years old	Women between 25-40 years old	
<b>Figures</b>			
Sales 2016/17e	€31m	€40m	€17m
Future growth	↗	↗↗↗	↗↗↗
Gross margin	50%	30%	45%
<b>Characteristics</b>			
Competitive positioning	Challenger versus market leaders (Vistaprint, Shutterfly etc.)	Leader Pure Player	Leader Pure Player
Strengths / Advantages		- User base - Business model - Rating by users	- Business model - Conversion of the FreePrints base in Photobooks customers

Source: Invest Securities

**1 – PlanetArt: leader in mobile to print in four years**

**1.3 A business with €90m in sales at operating breakeven**

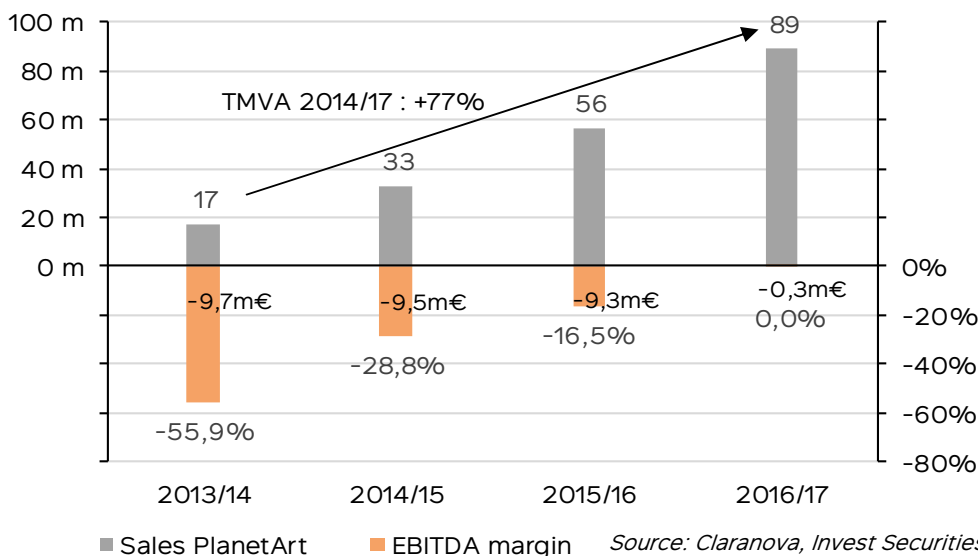
**1.3.1 Phase 1: a strongly growing business at operating breakeven**

In the space of four years, Claranova has built a major player in digital photo printing, with a leading position in the mobile to print segment in the United States and Europe through FreePrints and FreePrints Photobooks.

Bolstered by a base of 8.4 million users (85% in the mobile segment), PlanetArt reached €89m in sales in FY 2016/17, corresponding to average annual growth of +77% over the last four years. This year marked a turning point in the development of this subsidiary, as it reached operating breakeven (EBITDA loss of only -€0.3m).

A genuine success story in the space of four years ...

**Sales and EBITDA from 2013/14 to 2016/17**



**1.3.2 Phase 2: what development strategy and with what financing?**

PlanetArt is now a completely autonomous subsidiary in legal and, most importantly, financial terms. After having reached operating breakeven in the last fiscal year, PlanetArt is now able to self-finance its development (end of the cash burn).

Management will have to take structuring strategic decisions concerning the future development of its business and the financial resources that it plans to devote to this development.

We will attempt to address these questions in the following portion of this report.

Structuring strategic choices to be made in terms of future development

## 2 – THE MAXIMIZATION OF VALUE WILL COME FROM GROWTH

<b>2.1 – What development strategy and what resources?</b>	<b>p.12</b>
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## 2 – The maximization of value will come from growth

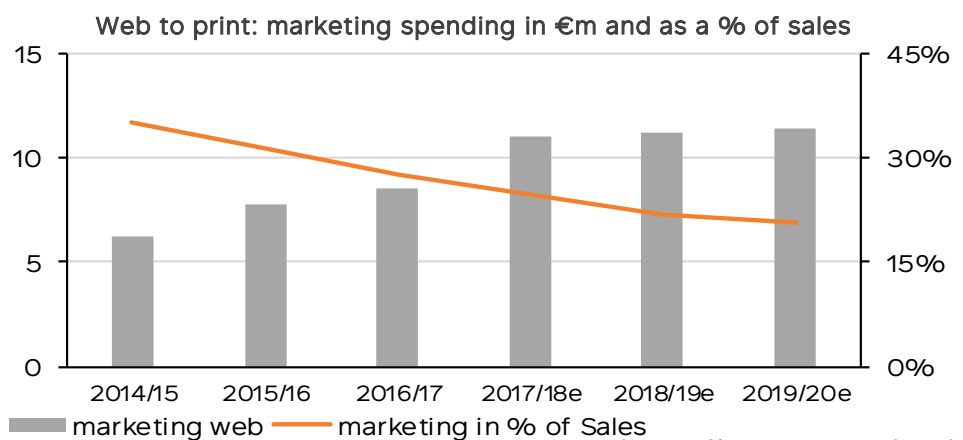
PlanetArt crossed a threshold in FY 2016/17 when it became financially autonomous. We believe that management should privilege the development of its mobile to print activities, which offer the greatest potential and where PlanetArt has a genuine competitive advantage. In contrast, we believe that development of web to print is less strategic and more opportunistic.

Using the cash generated by the business, management will be able to allocate the amounts to invest in marketing in the mobile to print segment. In order to determine which investment strategy should be privileged, we have set out two scenarios below that lead us to conclude that value creation would be maximized by the continuation of sustained marketing investments. The chosen scenario allows forecasts for average annual sales growth over 2016/20e of +50% (vs. +33% for the other scenario) and greater FCF generation over the period (cumulative FCF of €60.9m vs. €52.6m).

### 2.1 What development strategy and what resources?

#### 2.1.1 Web to print: more opportunistic than strategic development

Given PlanetArt's position as a challenger in the web to print segment and the nature of this business (low user recurrence and high seasonality), we believe that development in this segment is not a priority. In contrast, as a function of its financial position in Q4 of the calendar year, PlanetArt could seize opportunities to invest to a greater degree given that the return on investment is relatively rapid.



As of end 2017, Claranova disposed of substantial cash coming from its business (FCF >0) as well as from the entry of minority shareholders in PlanetArt in September 2017 (€11.4m for a 5.8% stake). As such, we believe that PlanetArt could increase its web to print marketing investments in the current year to around €11m (vs. €8.5m in FY 2016/17), corresponding to 25% of sales (vs. 27% in FY 2016/17). We anticipate quasi-stability in marketing expenses over the following two years at a little over €11m, taking marketing expenses to 21-22% of sales.

#### Web to print: sales, Gross Margin and EBITDA

In €m (06/30)	2014/15	2015/16	2016/17	2017/18e	2018/19e	2019/20e
Sales CA Web to Print	17,8	24,8	31,0	44,5	51,1	55,0
chg.	+27,1%	+39,3%	+25,0%	+43,6%	+14,9%	+7,6%
Web to Print users	0,7	1,0	1,3	1,8	2,2	2,6
Gross margin	8,0 45,0%	12,2 49,0%	16,1 52,0%	23,6 53,0%	27,6 54,0%	29,7 54,0%
chg.	nd	+51,7%	+32,7%	+46,3%	+17,0%	+7,6%
Opex	-13,8 -77,3%	-15,8 -63,8%	-16,7 -54,0%	-21,0 -47,3%	-21,4 -41,8%	-21,9 -39,8%
chg.	nd	+14,9%	+5,8%	+25,7%	+1,6%	+2,5%
including marketing web	-6,3 -35%	-7,8 -31%	-8,5 -27%	-11,0 -25%	-11,2 -22%	-11,4 -21%
EBITDA	-5,7 -32%	-3,7 -14,8%	-0,6 -2,0%	2,6 5,7%	6,2 12,2%	7,8 14,2%
chg.	ns	ns	ns	ns	ns	ns

Source: Claranova, Invest Securities

## 2 – The maximization of value will come from growth

In this context, sales should growth significantly in FY 2017/18e to €44.5m (+43.6%) and generate positive EBITDA (€1m expected). Growth should be slower over the following two years but profitability should be higher (reduction in marketing spending as a percentage of sales), with the EBITDA margin forecast to rise from 2.3% in FY 2017/18e to 8.7% in FY 2019/20e.

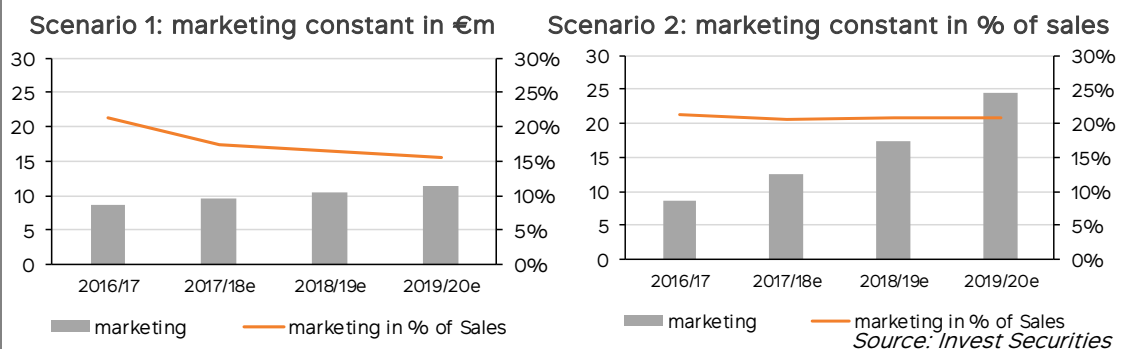
### 2.1.2 Mobile to print: strategic choices will have to be made

The mobile activities offer the greatest potential, with PlanetArt enjoying a real competitive advantage here. Using the cash generated by the business, management will be able to allocate the amounts to be invested in marketing in order to assure this segment's development. In order to evaluate the investment strategy to be favored, we present below two development scenarios.

### 2.2 Two development scenarios for mobile to print

#### 2.2.1 Two scenarios in terms of marketing investments

The amount of marketing investments is the variable with the greatest impact on the P&L statement.



We assume two distinct scenarios in terms of marketing investments:

- Scenario 1: quasi-stable marketing investments (+10% per year) in nominal terms at close to €10-11.4m over 2017/20e, corresponding to around 16% of FreePrints sales.
- Scenario 2: marketing investments up +40% per year over 2017/20e (€8.6m in FY 2016/17 to €24.4m in FY 2019/20e), corresponding to a constant percentage (21%) of FreePrints sales.

#### 2.2.2 Different impacts on the P&L

##### Mobile to print: sales, Gross Margin and EBITDA

Income statement (€m)	Scenario 1				Scenario 2			
	2016/17	2017/18e	2018/19e	2019/20e	2016/17	2017/18e	2018/19e	2019/20e
<b>Sales mobile to print</b>	<b>57,8</b>	<b>90,8</b>	<b>115,2</b>	<b>131,8</b>	<b>57,8</b>	<b>98,2</b>	<b>143,3</b>	<b>196,2</b>
FreePrints Sales	40,4	54,7	63,5	73,7	40,4	60,3	83,7	117,0
Photobooks Sales	17,4	36,1	51,7	58,2	17,4	37,9	59,6	79,2
<b>chg.</b>	<b>+81%</b>	<b>+57%</b>	<b>+27%</b>	<b>+14%</b>	<b>+81%</b>	<b>+70%</b>	<b>+46%</b>	<b>+37%</b>
- mobile to Print users	7,1	10,7	14,8	19,5	7,1	11,7	18,1	26,9
- Freeprints	6,3	9,1	12,1	15,3	6,3	10,0	15,0	21,9
- Photobooks	0,8	1,6	2,7	4,2	0,8	1,7	3,1	5,0
<b>Gross margin</b>	<b>23,2 40%</b>	<b>33,9 37%</b>	<b>43,7 38%</b>	<b>50,2 38%</b>	<b>23,2 40%</b>	<b>36,8 37%</b>	<b>54,2 38%</b>	<b>74,7 38%</b>
<b>chg.</b>	<b>+173%</b>	<b>+46%</b>	<b>+29%</b>	<b>+15%</b>	<b>+173%</b>	<b>+59%</b>	<b>+47%</b>	<b>+38%</b>
Opex	-22,6 -39%	-25,2 -28%	-27,2 -24%	-28,7 -22%	-22,6 -39%	-30,9 -31%	-40,4 -28%	-53,1 -27%
<b>chg.</b>	<b>+58,5%</b>	<b>+10,8%</b>	<b>+7,5%</b>	<b>+5,7%</b>	<b>+58,5%</b>	<b>+34,8%</b>	<b>+32,2%</b>	<b>+32,7%</b>
marketing	8,6 21%	9,5 17%	10,4 16%	11,4 16%	8,6 21%	12,5 21%	17,5 21%	24,4 21%
<b>EBITDA</b>	<b>0,6 1,1%</b>	<b>8,7 9,6%</b>	<b>16,5 14%</b>	<b>21,5 16%</b>	<b>0,6 1,1%</b>	<b>5,9 6,0%</b>	<b>13,8 9,7%</b>	<b>21,6 11%</b>
<b>chg.</b>	<b>ns</b>	<b>+1315%</b>	<b>+90%</b>	<b>+30%</b>	<b>ns</b>	<b>+864%</b>	<b>+133%</b>	<b>+56%</b>

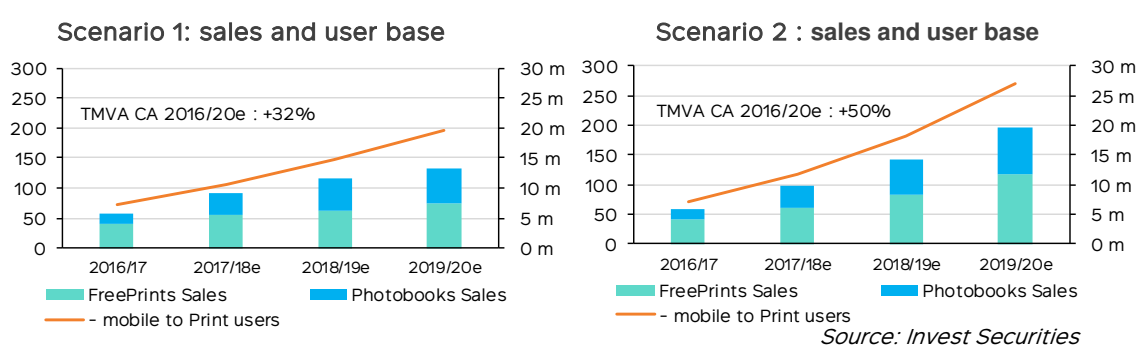
Source: Invest Securities

Growth: more under scenario 2

As could be expected, the higher marketing investments in scenario 2 enable greater development of the user base and ultimately stronger sales growth. Sales growth over 2016/20e under scenario 2 equals +50% per year vs. +32% under scenario 1.

## 2 – The maximization of value will come from growth

Profitability: equality for the two scenarios in year 3



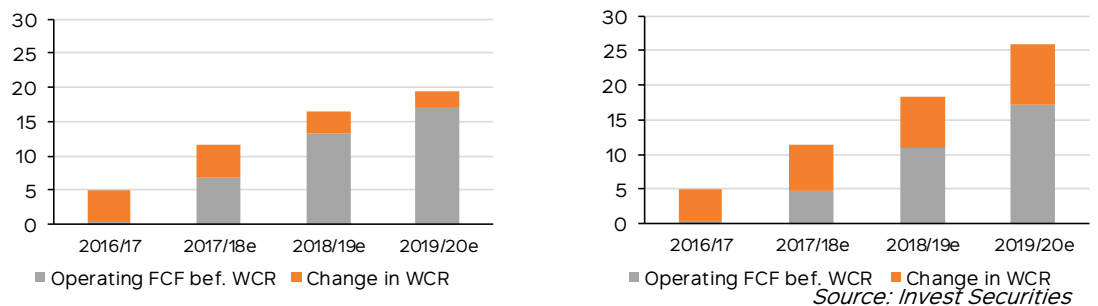
Marketing investments represent a significant charge that will weigh on profitability over the short term. As such, EBITDA is much higher under scenario 1 over the first two years. However, the difference becomes smaller over time, leading to identical EBITDA under the two scenarios in FY 2019/20e.

### 2.2.3 FCF: the magic of businesses with negative WCR

#### Mobile to print: FCF

Cash flow statement (€m)	Scenario 1				Scenario 2			
	2016/17	2017/18e	2018/19e	2019/20e	2016/17	2017/18e	2018/19e	2019/20e
EBITDA	0,6	8,7	16,5	21,5	0,6	5,9	13,8	21,6
Theoretical Tax / EBITA	-0,1	-1,7	-3,3	-4,3	-0,1	-1,2	-2,8	-4,3
Capex	-0,1	-0,1	-0,1	-0,1	-0,1	-0,1	-0,1	-0,1
<b>Operating FCF bef. WCR</b>	<b>0,4</b>	<b>6,9</b>	<b>13,1</b>	<b>17,1</b>	<b>0,4</b>	<b>4,6</b>	<b>11,0</b>	<b>17,1</b>
Change in WCR	4,5	4,9	3,3	2,4	4,5	6,7	7,2	8,8
<b>Operating FCF</b>	<b>4,9</b>	<b>11,7</b>	<b>16,5</b>	<b>19,5</b>	<b>4,9</b>	<b>11,4</b>	<b>18,2</b>	<b>25,9</b>

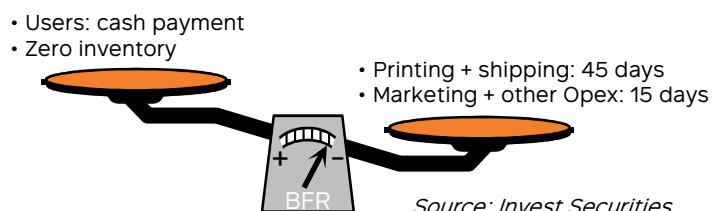
Source : Invest Securities



Regardless of the scenario, FCF generation is similar in FY 2017/18e even if the nature of these flows differs. In the case of scenario 1, FCF comes to a majority extent from EBITDA and to a lesser extent from the change in the WCR (negative WCR). The exact opposite is seen scenario 2. Starting in FY 2018/19e, scenario 2 takes the lead in terms of FCF generation.

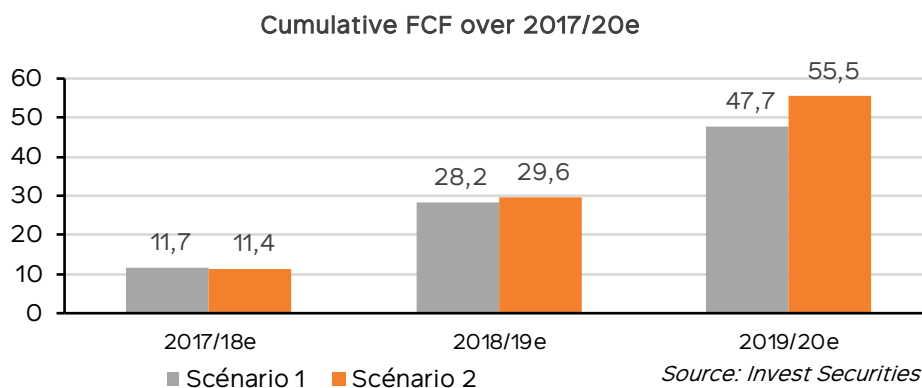
PlanetArt's business is characterized by negative WCR given that users pay cash and inventories are zero while PlanetArt pays its suppliers and other charges with delays estimated at between 15 and 45 days.

#### Mobile to print: schematic diagram of the WCR



## 2 – The maximization of value will come from growth

FCF: advantage in favor of scenario 2



Over the period 2017/20e, cumulative FCF generation turns in favor of scenario 2 with an overall total of €55.5m vs. €47.7m under scenario 1.

### 2.2.4 Scenario 2 favored as it creates more value

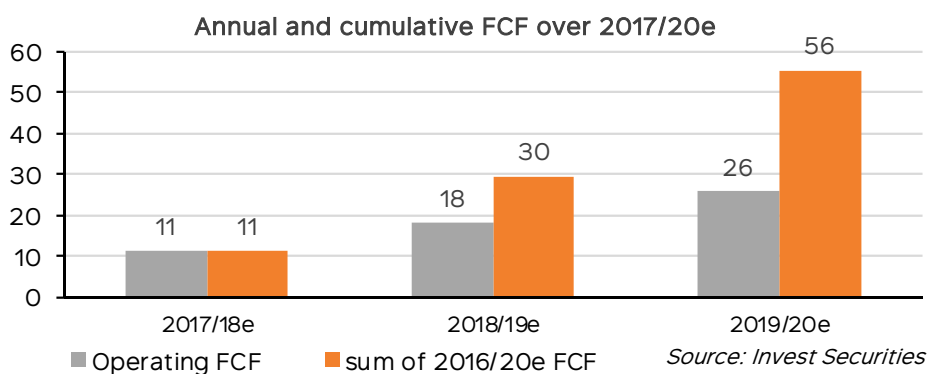
We would note that (i) growth does not consume cash, but in fact the opposite (negative WCR), (ii) EBITDA reaches the same level in year 3 and (iii) scenario 2 offers greater FCF generation over the long run.

Scenario 2 is therefore the privileged scenario. In general, this type of business is valued by multiples of sales. Privileging scenario 2 allows greater value creation.

## 2.3 Financial resources to do more?

### 2.3.1 Surplus FCF

Based on our scenario (2), PlanetArt would be able to show significant surplus FCF despite a sustained marketing investment strategy.



As of the end of FY 2016/17, we estimate that FCF generation from the PlanetArt mobile segment equaled €4.9m. As we have seen above, this FCF generation should accelerate at an estimated annual rhythm of close to +50% between 2016 and 2020e. Over this period, PlanetArt should generate cumulative FCF of €60.9m (€4.9m + €56m).

### 2.3.2 Cash position reinforced by the entry of minority shareholders

- **Minority investors have contributed €11.4m in exchange for a 5.8% stake**

In September 2017, Claranova announced the sale of a minority stake (5.8%) in PlanetArt for €11.4m (potentially increased to €15m). Even if the new shareholders have not all been identified, they are principally industrial players, along the lines of Cap Investissement, the family office of Groupe Riccobono, a printing industry player.

## 2 – The maximization of value will come from growth

Asia as the next  
battleground of  
PlanetArt

Passive minority  
shareholders in  
principle

- **Financing from minority shareholders should be used to accelerate development**

In connection with the H1 2016/17 results presentation (30 March), management discussed, for the first time, the idea of duplicating its model in other countries. This strategic orientation appears to have been confirmed by the CEO Pierre Cesarini, who indicated that after having demonstrated in H1 that PlanetArt could be profitable, Claranova was considered the acceleration of its development in new countries in order to rapidly win new market shares and thereby bolster its position as leader.

Management has since expressed its desire to develop its business on a third continent, Asia. It would appear that this geographical zone will be the next battleground for PlanetArt.

- **The new shareholders contributions / interests**

In the framework of its new legal structure, with the separation of its activities into three distinct subsidiaries (PlanetArt, myDevices and Avanquest Software), Claranova has more maneuvering room within each of its subsidiaries. At least two minority shareholders (Semtech and another player, possibly Dr. Peng or Sprint) acquired stakes in myDevices in 2017. Looking beyond the cash injection into a subsidiary showing cash burn, these new shareholders are equally playing roles as partners in the development of myDevices.

In the case of PlanetArt, it would appear that the contribution of its new shareholders is limited to their financial contribution. Even if Groupe Riccobono operates in the printing industry, its business (exclusively in France) appears quite removed from photo printing.

Looking beyond the chosen partners, the question of timing also can be raised, given that, as previously noted, PlanetArt is now generating significantly surplus FCF that could have enabled it to develop on its own in a financial sense.



## 3 – WORLDWIDE AMBITIONS WITH ASIA IN THE CROSSHAIRS

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### 3 – Worldwide ambitions with Asia in the crosshairs

PlanetArt was one of the first players to position itself on the mobile to print market in 2014. It currently holds leading positions on the US and European markets. The average install penetration of photo printing applications in these two geographical zones is limited to 8-9% of the target market (vs. 16% in the more mature countries). The growth potential remains considerable, with at least doubling of the current market possible over the next 2-3 years,

PlanetArt also has high ambitions in Asia, with development that we anticipate in Q2 2018. We believe that China (preceded by deployment in Hong Kong or Singapore) and India are the most likely targets of this development.

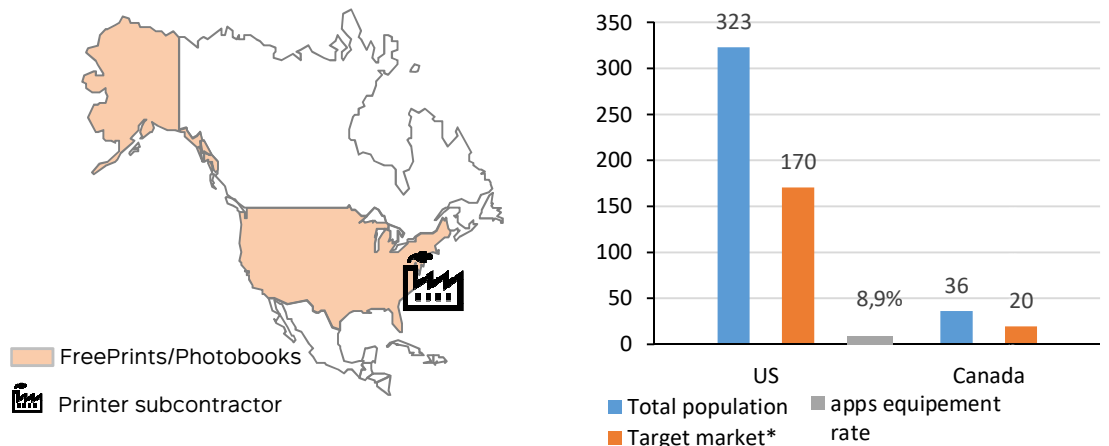
Asia could generate sales of €20m in 2018/19 and close to €50m the following year, a level that would enable it to reach operating breakeven.

#### 3.1 US: a sizeable market in the hands of the Shutterfly/PlanetArt duopoly

##### 3.1.1 A North American market with still considerable potential

In North America, PlanetArt is present in the United States, thereby enabling it to address a target market of 170 million users. PlanetArt could also position itself on the Canadian market (estimated 20 million users) over the short/medium term.

PlanetArt presence and market in North America



Source: Claranova, Invest Securities, The World Bank \* 80% (estimated smartphone equipment rate) of the population aged from 15 to 64 years old

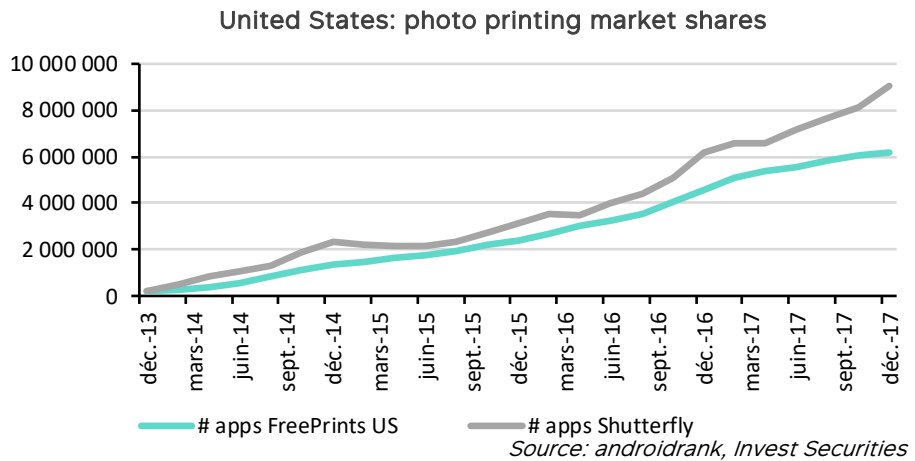
A market that could double over the short term

The install penetration for photo print application in our target market (80% of the population aged between 15 and 64 years old) is currently estimated at only 8.9% (15.1 million users). This level is close to two times lower than that seen on mature markets such as France and the UK. As such, a doubling of the US market over the coming years is entirely conceivable.

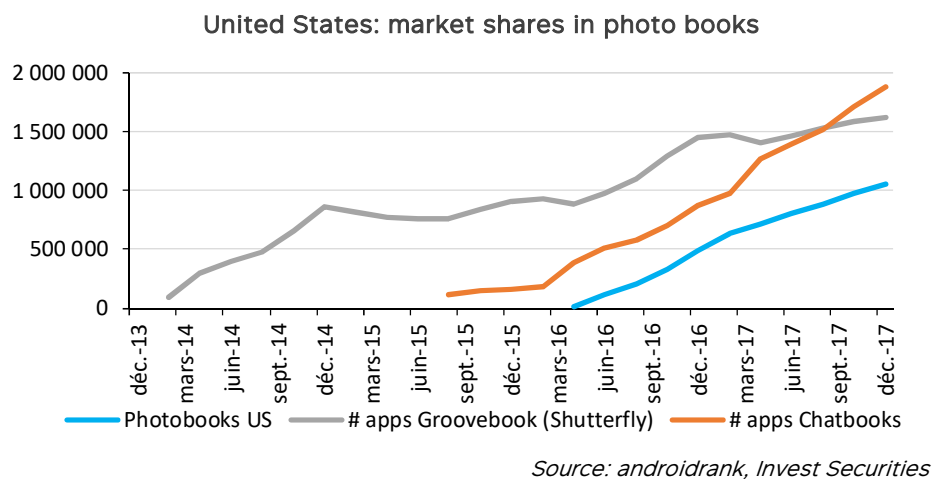
### 3 – Worldwide ambitions with Asia in the crosshairs

#### 3.1.2 A market dominated by the Shutterfly/PlanetArt duopoly

The US photo print applications market is dominated by a duopoly composed of Shutterfly and PlanetArt. These two players were the first to position themselves on this market at the beginning of 2014. As of end 2017, Shutterfly held an estimated 5.0% share of our target population while FreePrints held a 3.6% share.



A similar configuration can be seen in the photo book applications area, with the presence of Groovebook (Shutterfly) and FreePrints Photobooks, which arrived on this market two years later (2016 vs. 2014). A third significant player (Chatbooks) is also present, but with a different business model based on a monthly subscription formula.



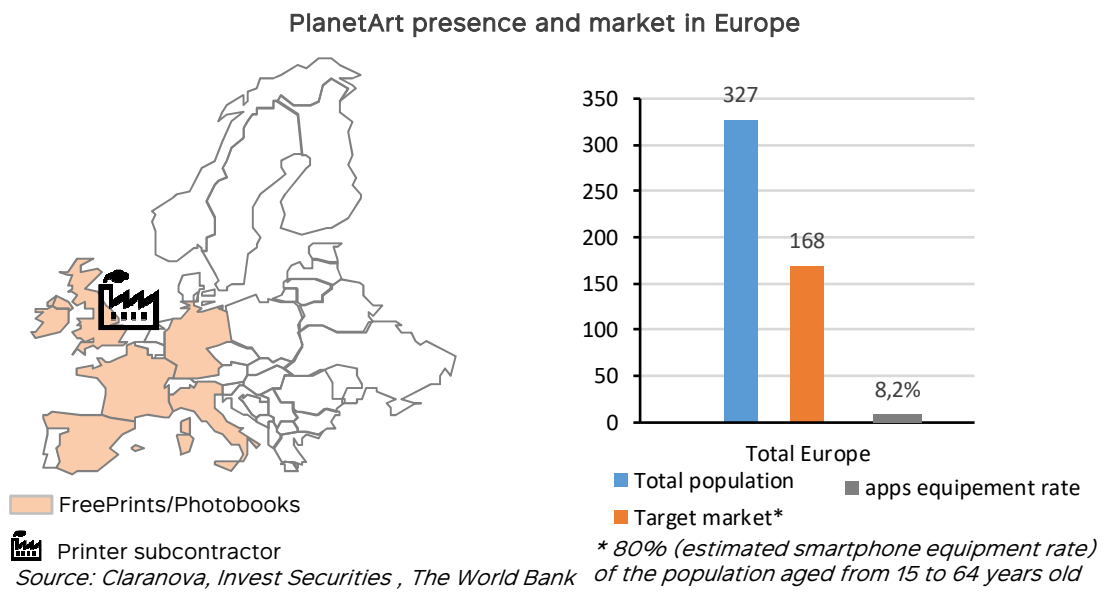
#### 3.2 Europe: a heterogeneous market still showing strong growth

##### 3.2.1 Europe: an install penetration equal to the United States but sharp differences between countries

In overall terms, Europe features a target market (168 million users) and an install penetration (8.2%) similar to those seen in North America (170 million, 8.6%). However, major differences are seen between the different European countries.

3 – Worldwide ambitions with Asia in the crosshairs

An install penetration of 8.2% similar to the United States

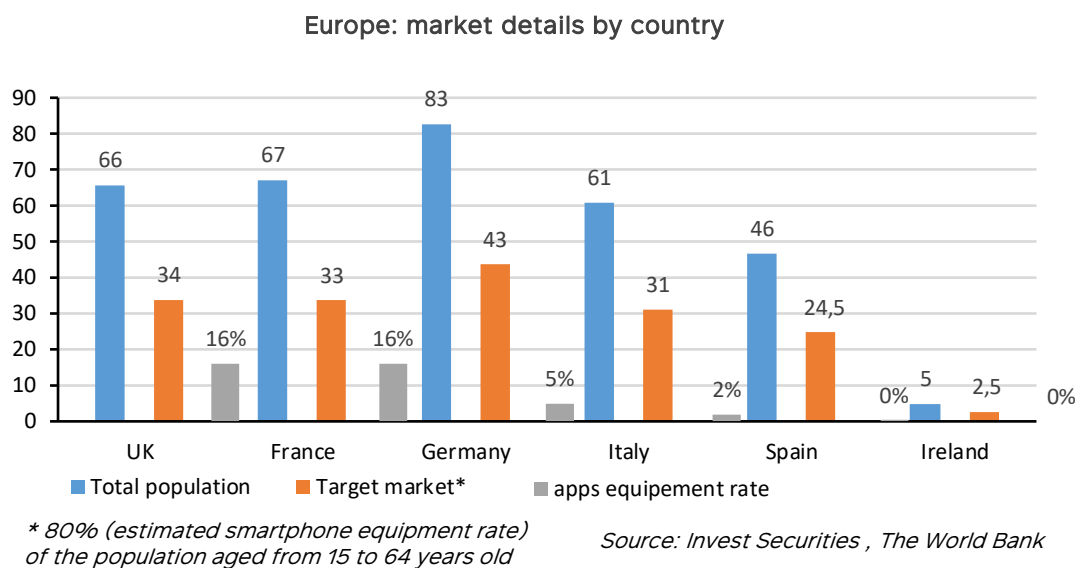


With an estimated 16% install penetration, the UK and France are the countries where photo applications are the most developed. Despite this, the growth in installed applications in these two countries remains strong, suggesting that the market still offers substantial penetration potential and that it has not yet peaked.

In contrast, the other European countries show very little or significantly lower install penetration, along the lines of German at only 5%.

Unlike its competitors, PlanetArt is present in all the countries. We believe that this coverage is an advantage to the extent that it allows the allocation of marketing spending to the most competitive markets.

UK and France have the highest install penetration



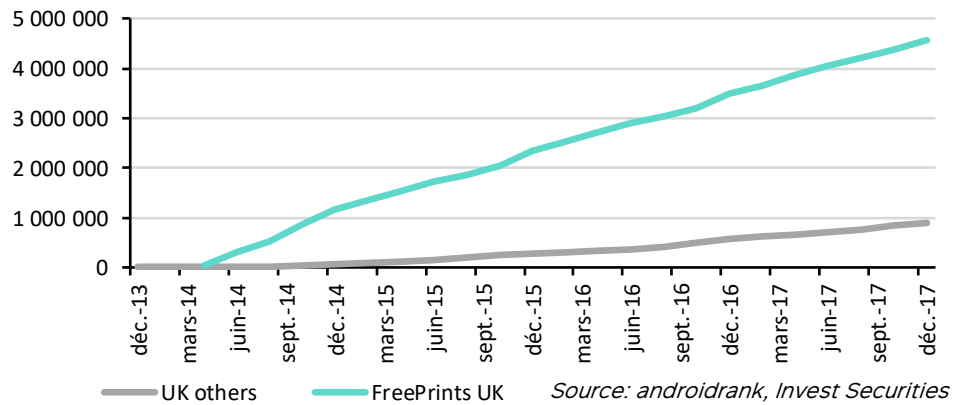
3 – Worldwide ambitions with Asia in the crosshairs

3.2.2 Europe: highly varying competitive intensity depending on the country

• UK: a market dominated by PlanetArt

The UK market is largely dominated by Freeprints, which we estimate holds over 80% of the market. No significant local player is emerging and the competition comes essentially from French companies.

UK: market shares of photo print applications

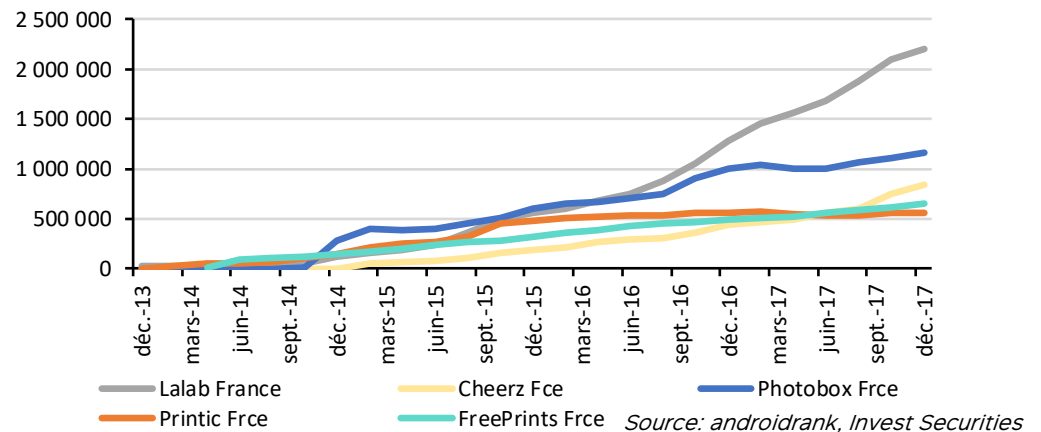


PlanetArt is crushing the competition in the UK, a country where it is concentrating the bulk of its marketing investments

• France: a highly fragmented market

The French market is particularly fragmented, with five significant players. Lalab (Photoweb) and Photobox dominate the market, followed by a trio made up of Cheerz, FreePrints and Printic. We anticipate sector consolidation and the likely disappearance over the short term of Printic, where the installation of new applications has stagnated for the last several months.

France: market shares of photo print applications



Despite limited investments in continental Europe, PlanetArt is more than just surviving....

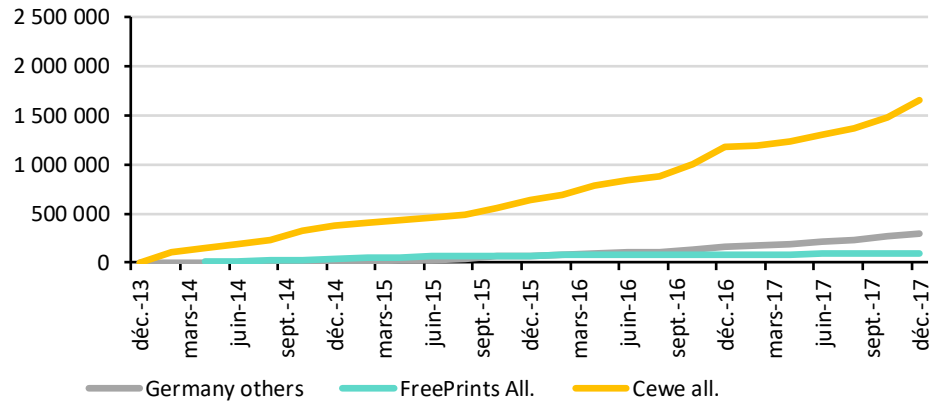
• Germany: a market dominated by Cewe

Along the lines of Lalab and Photobox in France, Cewe, which shares the same organizational structure (web and mobile), dominates the German market. The competition is essentially made up of French players Lalab and Cheerz. FreePrints, for which Germany is not yet a key market, has limited market share here.

... and continues to benefit from major sources of new growth on these markets

3 – Worldwide ambitions with Asia in the crosshairs

Germany: market shares of photo print applications



Source: androidrank, Invest Securities

3.2 Asia: the new Eldorado?

3.2.1 Three categories of countries eligible for ambitions in Asia

Choosing of a new zone to enter must take into account the following prerequisites:

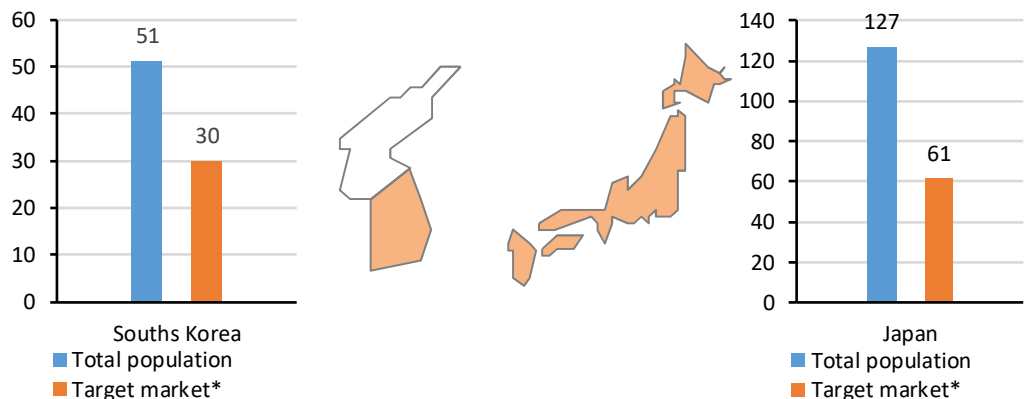
- A significant middle class
- Connection to 3G/4G networks
- Digital payment methods (credit cards, mobile payments etc.),
- A partner / supplier for printing
- A logistics subcontractor for deliveries

On this basis, we have identified three types of Asian countries qualified for the development of FreePrints/Photobooks solutions.

• The “mature” countries: South Korea, Japan

Japan (127 million inhabitants) and to a lesser extent South Korea (51 million) offer relatively deep markets. The target market in these two countries is estimated at nearly 91 million users, with 2/3 in Japan and 1/3 in South Korea.

Japan and South Korea: population and estimated target market



\* 80% (estimated smartphone equipment rate) for the population between 15 and 64 years old

Source: The World Bank

3 – Worldwide ambitions with Asia in the crosshairs

Japan and South Korea: attractive markets but execution risk linked to local players

Swot Analysis: Japan/South Korea

STRENGTHS

- Network and logistics infrastructures

WEAKNESSES

- Markets that are traditionally closed to foreign technology.

OPPORTUNITIES

- Substantial interest in photos

THREATS

- Competition from local players?

Japan and South Korea offer a significant addressable market with a population relatively well equipped with smartphones and posing no specific problems in terms of the monetization of services. These populations' consumer habits should also be relatively close to those seen in North America and Europe.

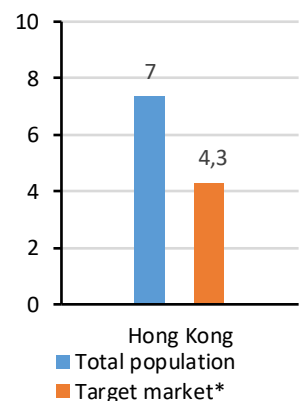
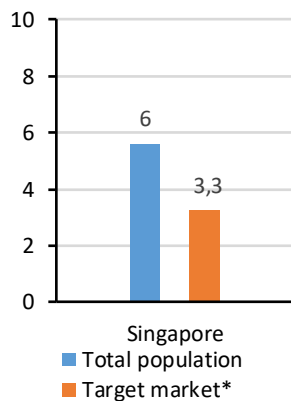
In contrast, these countries are traditionally closed to foreign technology and the digital photo services, quite popular in these countries, suggest strong competition from local players.

• **The city states: Singapore, Hong Kong**

With a total population of less than ten million inhabitants, these city states do not constitute a very important market. However, development in one of these two zones would enable the creation of a PlanetArt ecosystem in Asia (notably in terms of the choice of industrial and logistics partners) and provide insight into the consumer habits of the local populations. Development in a city state in general (and Hong Kong in particular) would be a first step to prepare the way for major ambitions on the Chinese market.

Singapore or Hong Kong as a spearhead in the conquest of the Chinese market?

Singapore and Hong Kong: population and estimated target market



\* 80% (estimated smartphone equipment rate) for the population between 15 and 64 years old

Source: The World Bank

Swot Analysis: Singapore/Hong Kong

STRENGTHS

- Network and logistics infrastructures

WEAKNESSES

- Relatively small markets

OPPORTUNITIES

- Spearhead to prepare entry into the Chinese market

THREATS

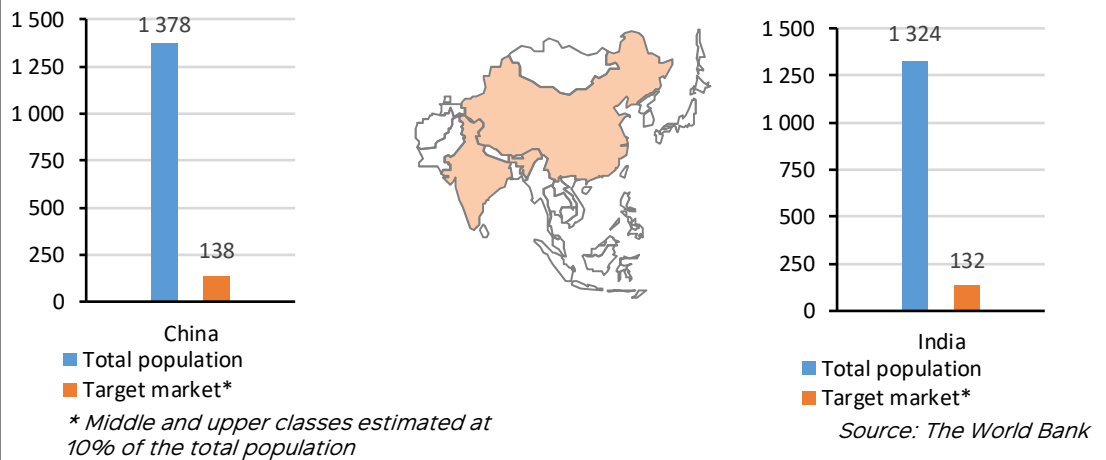
## 3 – Worldwide ambitions with Asia in the crosshairs

### • The continental countries: China / India

With populations of over 1.3 billion inhabitants, India and China represent potential Eldorados. Nevertheless, the target markets in these two countries should be concentrated in the middle and upper classes, corresponding to an estimated market of around 130 million in each of these two countries (10% of the total population).

Even if they offer similar potential, these two markets nevertheless have individual characteristics that should be taken into consideration in connection with possible local development.

China and India: potential and estimated target market



### Swot Analysis: China

#### STRENGTHS

- Target market of over 100 million users and strong economic growth

#### OPPORTUNITIES

- Rising middle class

#### WEAKNESSES

- Need for a local partner
- Relatively unreliable postal services making a logistics partner necessary

#### THREATS

- Different social codes leading to execution risk

The Chinese market offers considerable potential but has execution risks. As previously discussed, a pragmatic approach would involve two-phase development with 1) a initial learning phase in Hong Kong, for example, and 2) a second development phase in the principal urban zones in China.

### Swot Analysis: India

#### STRENGTHS

- Target market of over 100 million users and strong economic growth

#### OPPORTUNITIES

- Rising middle class
- Governmental push for the development of digital payment methods

#### WEAKNESSES

- Relatively unreliable postal services making a logistics partner necessary

#### THREATS

- Different social codes leading to execution risk

China: a promising market but high execution risk



## 3 – Worldwide ambitions with Asia in the crosshairs

India: attractive market timing with the digitalization of payment methods

In a country with still few banks, the giant demonetization at the end of 2016 (replacement of the 500 and 1,000 rupee bills, 86% of paper currency) put India on a forced march towards digital transactions. The mobile payment market is seeing a considerable boom in India. This trend is creating attractive opportunities for the development and monetizing of smartphone applications.

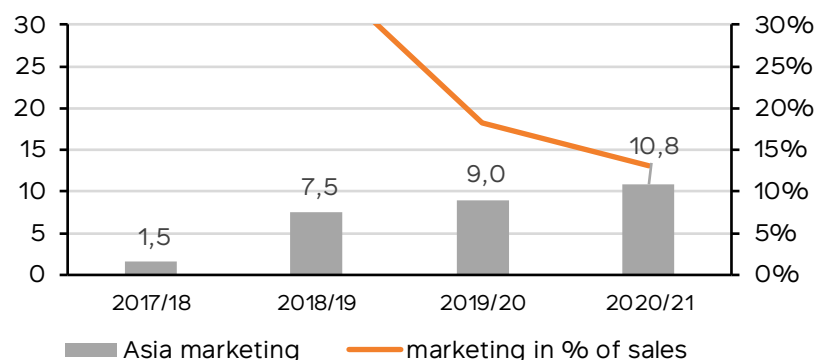
### 3.3.2 Asia: what resources for what results?

- Marketing expenses

As previously discussed, PlanetArt has substantial resources to fund its ambitions in Asia. We estimate that the company could allocate €18m to marketing over the next two years.

At different presentations, management has mentioned deployment in Asia in H1 2018. We simulate the financial impact of development in Asia below. These contributions will be integrated into our estimates once this deployment is officially confirmed.

PlanetArt Asia: marketing expenses in €m and % of sales



Source: Invest Securities

We are waiting for official confirmation before integrating deployment in Asia into our estimates

- Non-negligible contribution to sales starting in 2018/19e

Based on the business model developed in the United States and Europe and excluding any execution risk, the contribution of PlanetArt Asia to overall sales could exceed €20m in 2018/19e and nearly €50m the following year.

PlanetArt Asia: sales, Gross Margin and EBITDA

in €m (06/30)	2017/18e		2018/19e		2019/20e		2020/21e	
Sales PlanetArt Asia	1,5		20,4		49,4		82,1	
-FreePrints Sales	1,5		18,2		37,7		53,8	
-Photobooks Sales	0,0		2,1		11,7		28,3	
<i>chg.</i>			+1259%		+142,2%		+66,2%	
Gross margin	0,4	29%	6,0	29%	15,3	31%	27,8	34%
<i>chg.</i>			ns		+156%		+82%	
Opex	-2,7	-177%	-12,6	-62%	-15,1	-31%	-17,8	-22%
<i>chg.</i>			+373,9%		+20,2%		+18,0%	
<i>including marketing web</i>	-1,5		-7,5	-41%	-9,0	-24%	-10,8	-20%
EBITDA	-2,2	-148%	-6,6	-32,4%	0,2	0,4%	10,0	12,2%
<i>chg.</i>			ns		ns		ns	

Source: Invest Securities

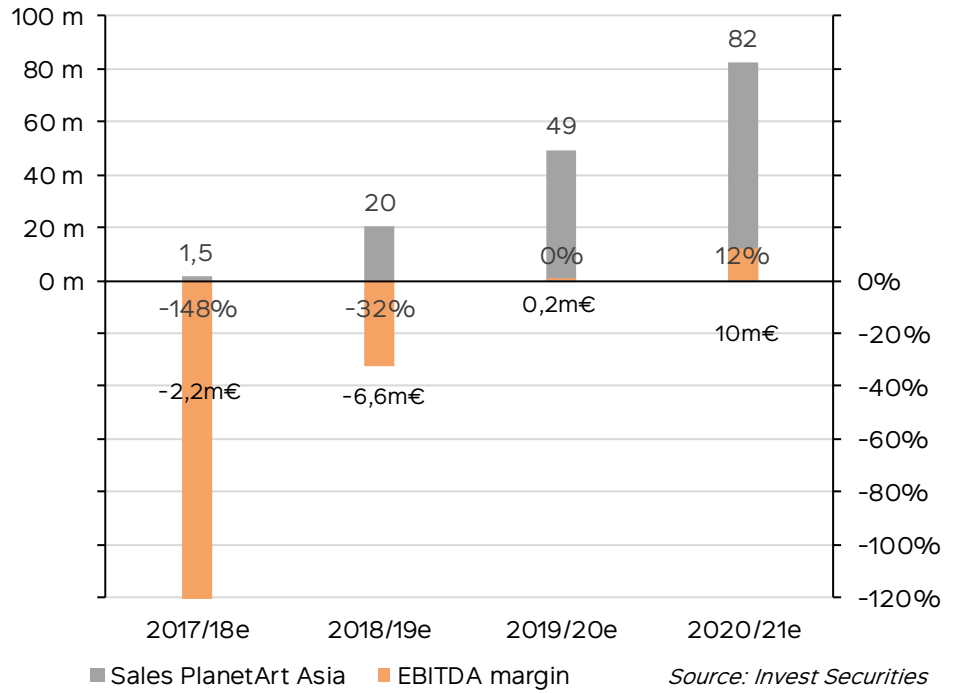
### 3 – Worldwide ambitions with Asia in the crosshairs

- Operating breakeven targeted in two years

Our development scenario targets operating breakeven at the end of two years, i.e. in 2019/20e. The net cost of development in Asia over this period should be close to €9m.

EBITDA breakeven reached in two years

PlanetArt Asia: Sales and EBITDA from 2017/18e to 2020/21e



## **4 – PLANETART: 75% OF THE VALUATION OF CLARANOVA**

<b>4.1 – PlanetArt: a target valuation above €300m</b>	<b>p.28</b>
4.1.1 Listed peer companies	p.28
4.1.2 Valuation based on transaction multiples	p.29
4.1.3 PlanetArt valued at €312m based on the multiples seen with the entry of minority shareholders	p.29
<b>4.2 – myDevices: EV of €30m</b>	<b>p.29</b>
4.2.1 A future business still difficult to value	p.29
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## 4 – PlanetArt: 75% of the valuation of Claranova

We have used a sum of the parts approach in evaluating Claranova's three businesses. We have significantly lifted our valuation of PlanetArt (+60%) after taking into account its business model and development outlook and have more marginally raised our valuation of Avanquest Software (+12%). In contrast, we are waiting for confirmation of the monetization of the myDevices services before changing our valuation of this division.

In the end, the equity valuation equals €391m (€0.99 per share), up +30%. Our target price equals €0.89 per share (vs. €0.54) after applying a holding company discount of -10%. This target price gives 2017/18e and 2018/19e EV/sales multiples of 1.7x and 1.2x. Following the strong rally in the share price (+99%) since the beginning of the year, the stock appears to be fairly valued, leading us to maintain our NEUTRAL rating.

### 4.1 – PlanetArt: a target valuation above €300m

#### 4.1.1 Listed peer companies

The principal listed companies with businesses close to that of PlanetArt are the sector leaders Shutterfly, Cimpres (Vistaprint) and Cewe. The average valuation multiples for these companies are +1.4x 2017/18e sales and 1.2x 2018/19e sales. Within this sample, we would note that the company showing the strongest growth also shows the highest valuation (Cimpres: 2017/19e CAGR of +9%, 2017/18e EV/sales multiple of 1.8x). The inverse is seen with Cewe (2017/19e CAGR of +4%, 2017/18e EV/sales multiple of 1.0x).

#### Print peer group

Peers	Mk. Cap. (m€)	Share price (€)	Chg. ytd	EV/Sales		CAGR Sales	CAGR EBITDA
				17/18e	18/19e	17-19e	17-19e
Shutterfly	1 371	41,7	+1%	1,4x	1,2x	+5%	+11%
CEWE	662	89,4	+2%	1,0x	0,9x	+4%	+4%
Cimpres	3 287	105,9	+6%	1,8x	1,7x	+9%	+22%
<b>Average</b>				<b>1,4x</b>	<b>1,2x</b>	<b>+5%</b>	<b>+11%</b>

Source Factset, Invest Securities

Based on these multiples, the enterprise value of 100% of PlanetArt equals €218m, corresponding to €0.55 per share.

PlaneArt valuation vs Peers	Sales	CA	Valorisation	
	17/18e	18/19e	in m€	€/share
PlanetArt sales	143	194		
<b>EV estimated vs Comparables</b>	<b>203</b>	<b>236</b>	<b>219</b>	<b>0,56</b>

Source: Factset, Invest Securities

We believe that this approach only partially reflects the value of PlanetArt, whose different business model (high weighting of mobile to print) should enable it to show significant greater growth (2017/19e CAGR of +48%) than the companies in our sample (2017/19e CAGR of +4%). As such, the valuation obtained through this approach can be viewed as a minimum.

A floor valuation of €218m from listed peer comparisons

## 4 – PlanetArt: 75% of the valuation of Claranova

### 4.1.2 Valuation based on transaction multiples

M&A transactions are frequent in the print sector and have been principally initiated by the two sector leaders, Shutterfly and Cimpress. These transactions primarily respond to a logic of concentration in web activities and development in mobile activities.

#### Acquisitions seen in the sector

web						
Date	Target	Buyer	Activities	Valuation	EV/Sales	
jan. 2014	Photoweb	Exacompta/Clairef.	Digital photo printing	28m€	1,1x	
apr. 2015	FL Print	Cimpress	Digital printing (easyflyer.fr)	6m\$	1,1x	
apr. 2015	Exaprint	Cimpress	Digital printing (flyers...)	103m\$	1,7x	
				<b>average</b>	<b>1,3x</b>	
mobile						
Date	Target	Buyer	Activities	Valuation	EV/Sales	EV/Sales n+1
nov. 2014	Groovebook	Shutterfly	Photobooks mobile apps	14,5m\$	4,0x	
sep. 2017	<b>PlanetArt</b>	minority interest	11,4m€ / 5,8%	<b>11,40 €</b>	<b>2,2x</b>	<b>1,6x</b>
				<b>average</b>	<b>3,1x</b>	

Source: Factset, Invest Securities

In this context, the average EV/sales multiple seen in acquisitions in the web to print sector equals 1.3x, rather close to the multiples seen in our sample of peer companies.

Acquisitions in the mobile to print sector are less frequent (fewer players) and details are more confidential. In November 2014, Shutterfly purchased Groovebook for €14.5m, valuing this start-up at an EV/sales multiple of 4.0x. While we estimate that this multiple was particularly (too?) high, it nevertheless highlights the fact that mobile to print activities should be valued at a premium over web to print activities.

### 4.1.3 PlanetArt valued at €312m based on the multiples seen with the entry of minority shareholders

In September 2017, the entry of minority shareholders at PlanetArt took place at multiples of 2016/17 and 2017/18e sales of respectively 2.2x and 1.6x (fully diluted post-money valuation of €196.4m). These multiples represent a +50% premium to the listed players, a level that we believe better reflects the potential of mobile to print activities.

We have therefore used this approach in valuing PlanetArt, whose EV for 100% of equity (before deployment in Asia) equals €312m, corresponding to €0.79/share (€294m, €0.75/share for 94.2% of the shares).

#### PlanetArt EV based on multiples in connection with the entry of minority shareholders

PlaneArt valuation	Sales 17/18e	Sales 18/19e	Valorisation in m€ / €/share	
EV/CA multiples	<b>2,2x</b>	<b>1,6x</b>		
PlanetArt sales	143	194		
<b>EV estimated</b>	<b>316</b>	<b>308</b>	<b>312</b>	<b>0,79</b>

Source: Factset, Invest Securities

As a first estimate, development in Asia in line with our estimates would add €0.05 to the valuation of Claranova over the short term, potentially rising to €0.25 per share in one to two years.

## 4.2 – myDevices: EV of €30m

### 4.2.1 A future business still difficult to value

This subsidiary, positioned on the promising IoT market, is not yet generating significant enough revenues or earnings to estimate its potential value.

Nevertheless, myDevices is maturing, reaching phase 3 of our development with monetization of its services expected soon.

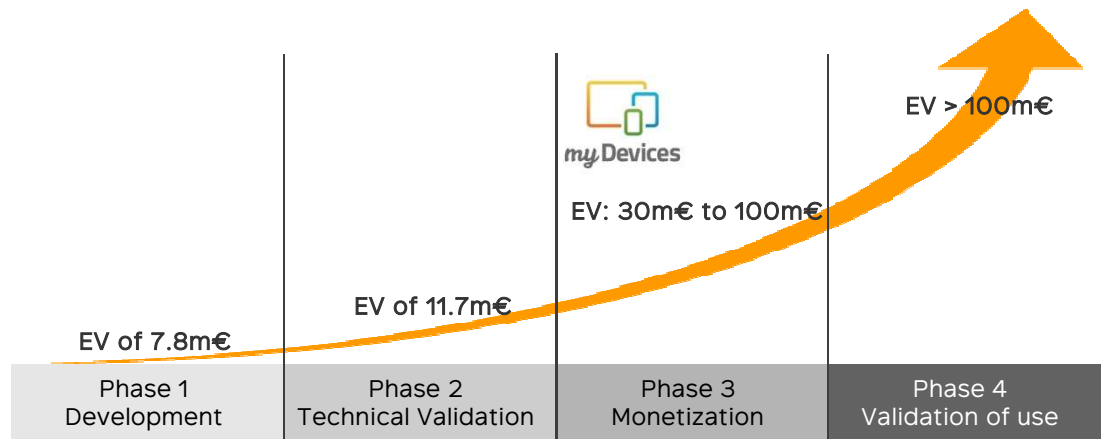
The valuation of mobile to print activities should include a premium compared to web to print activities...

... equal to +50% based on the multiples paid by the minority shareholders of PlanetArt

4 – PlanetArt: 75% of the valuation of Claranova

myDevices is entering into phase 3 of its development with monetization expected to begin in H1 2018

myDevices: four phases of development



Source: Invest Securities

• Phase 1: development (EV of €7.8m)

We value this phase on the basis of the estimated cost of the development of the platform. To this end, the group has around 30 developers representing an estimated annual cost per person of €130k. With the development phase having run two years, our valuation for phase 1 equals €7.8m.

• Phase 2: technical validation (EV of €11.7m)

The Cayenne community, which is testing the solidity of the platform on a daily basis, and the partnerships signed with groups such as Sigfox and Lora constitute proof that the platform is completely operational. In order to calculate the value of myDevices, we assume that Claranova developed the platform for a third party. In this case, the sale price of this service integrates the development costs plus the group margin estimated at 50%. In phase 2 (the current stage of development), we value myDevices at an EV of €11.7m.

• Phase 3: Commercialization/monetization (EV of €30m to €100m€)

Over the last two months, myDevices has announced partnerships with the Chinese operator Dr. Peng (no. 4 operator in China) and the US company Sprint (no. 4 operator in the United States). These operators will notably market turnkey IoT solutions on their respective markets. This marks the beginning of the monetization of the myDevices service and is opening the way for an upward revaluation of this business over the medium term. We are waiting from more detailed information from the group concerning the scope of these partnerships before lifting our valuation for this division.

4.2.2 Valuation set by the entry of minority shareholders in order to “price” this asset

In 2017, two minority shareholders (Semtech and a Chinese operator) purchased stakes in myDevices based on a fully diluted post-money valuation of \$31.3m (€29.8m est). Following this transaction, we estimate that Claranova still controls 80% of the shares.

myDevices EV based on the arrival of minority shareholders

myDevices valuation	Sales 17/18e	Sales 18/19e	Valorisation in m€	€/share
EV/CA multiples	7,5x	2,6x		
myDevices sales	4,0	11,7		
<b>EV estimated</b>	<b>29,8</b>	<b>29,8</b>	<b>29,8</b>	<b>0,08</b>

Source: Factset, Invest Securities

An increase in the valuation of myDevices can be imagined once monetization begins

## 4 – PlanetArt: 75% of the valuation of Claranova

### 4.3 – Avanquest Software: EV of €40m from a DCF valuation

#### 4.3.1 Assumptions made in our DCF valuation

Our DCF valuation includes the following assumptions:

- The forecast sales trend over 2017 to 2020e, integrating the group's repositioning on online distribution and the development of the subscription-based business model. Growth should peak at +13% in 2021e before steadily slowing to 1.5% in 2026e
- A steady rise in the EBITDA margin to a peak of 12% in 2020e, with the margin then holding at this level through 2025e before falling to 10% in our final forecast year,
- Limited level of capex given that this business should no longer capitalize R&D investments,
- A negative WCR (between 1.5 and 2 months of sales) characteristic of this activity,
- A corporate tax rate of 30%, viewed as a normative level for the group.

DCF	DCF valuation										
	16/17	17/18e	18/19e	19/20e	20/21e	21/22e	22/23e	23/24e	24/25e	25/26e	26/27e
Sales	38,5	39,6	42,6	46,1	52,0	57,6	62,4	66,3	68,8	69,8	70,9
chg.	ns	+2,9%	+7,5%	+8,1%	+13,0%	+10,7%	+8,4%	+6,1%	+3,8%	+1,5%	+1,5%
Adjusted EBITDA	0,0	1,0	2,5	4,2	6,2	6,9	7,5	8,0	8,3	8,4	7,1
Adjusted EBITDA marg	0,0%	2,6%	6,0%	9,1%	12,0%	12,0%	12,0%	12,0%	12,0%	12,0%	10,0%
Capex	-0,1	-0,1	-0,1	-0,1	-0,1	-0,1	-0,1	-0,1	-0,1	-0,1	-0,1
in % of sales	-0,3%	-0,3%	-0,2%	-0,2%	-0,2%	-0,2%	-0,2%	-0,2%	-0,2%	-0,2%	-0,2%
Depreciation	-0,4	-0,2	-0,1	-0,1	-0,1	-0,1	-0,1	-0,1	-0,1	-0,1	-0,1
in % of sales	-1,1%	-0,5%	-0,2%	-0,2%	-0,2%	-0,2%	-0,2%	-0,2%	-0,2%	-0,2%	-0,2%
WCR	-4,8	-5,0	-5,7	-6,5	-7,8	-9,1	-10,3	-10,9	-11,3	-11,5	-11,7
WCR in days of turnover	-46	-46	-49	-52	-55	-57	-60	-60	-60	-60	-60
Corp. tax	-30%	-30%	-30%	-30%	-30%	-30%	-30%	-30%	-30%	-30%	-30%
<b>Summary</b>											
EBITDA	0,0	1,0	2,5	4,2	6,2	6,9	7,5	8,0	8,3	8,4	7,1
Corp. tax	0,0	-0,3	-0,7	-1,2	-1,8	-2,0	-2,2	-2,3	-2,4	-2,5	-2,1
Capex	-0,1	-0,1	-0,1	-0,1	-0,1	-0,1	-0,1	-0,1	-0,1	-0,1	-0,1
Change in WCR	nd	0,2	0,7	0,8	1,2	1,3	1,2	0,6	0,4	0,2	0,2
Op. FCF aft. WCR	-0,1	0,9	2,4	3,7	5,5	6,0	6,4	6,1	6,1	5,9	5,0
Discounted Op. FCF		0,9	2,0	2,7	3,7	3,5	3,3	2,8	2,5	2,2	1,6

Source: Invest Securities

#### Weighted Average Cost of Capital

OAT 10 years	0,80%
Risk premium	5,88%
Beta	2,00
<b>Cost of capital</b>	<b>12,6%</b>
Cost of debt	4,5%
gearing	0%
Corporate Tax	30,0%
<b>WACC</b>	<b>12,6%</b>

In order to discount our FCF, we use a WACC of 12.6% based on:

- A French 10-year OAT rate of 0.50%,
- An equity market risk premium of 5.88%,
- A beta of 2x,
- Zero financial leverage

#### 4.3.2 Valuation of Avanquest Software: EV of €40m

Our DCF approach gives an estimated EV for Avanquest Software of €40m.

Avanquest Software Valuation	in m€	€/share*
Period 1-10 years	25,3	0,07
Infinity growth	15,0	0,04
<b>Total Enterprise Value</b>	<b>40,3</b>	<b>0,10</b>

Source: Invest Securities

## 4 – PlanetArt: 75% of the valuation of Claranova

### 4.4 – A SOP of €0.99 and a target price of €0.89 after applying a discount

#### 4.4.1 Overall EV of €358m (€0.91 per share)

The sum of the EVs of the group's three divisions equals €358m, corresponding to €0.91 per share, underpinned by the valuation of PlanetArt (82% of total EV).

#### Sum of the parts valuation

SOP	CA (m€)		EBITDA (m€)		Valuation methods	EV/Sales 17/18	EV/Sales 18/19e	%	Valuation		
	17/18e	18/19e	17/18e	18/19e					en €m	€/share	% SOP
PlanetArt	143	194	11,4	23,0	valuation based on Sept. 2017 capital inc	2,2x	1,6x	94%	294	0,75	75%
myDevices	4,0	11,7	-3,4	2,6	valuation based on July. capital increase	6,0x	2,0x	80%	23,8	0,06	6%
Avanquest Software	40	43	1,0	2,5	DCF Valuation	1,0x	0,9x	100%	40	0,10	10%
<b>Total EV</b>	<b>186</b>	<b>249</b>	<b>9,1</b>	<b>28,1</b>		<b>1,9x</b>	<b>1,4x</b>		<b>358</b>	<b>0,91</b>	<b>92%</b>
Net cash						End of FY 2016/17			16,0	0,04	4%
Cash related to 2017/18 minority interests						PlanetArt / myDevices S2 2017			14,6	0,04	4%
Stock-Options									2,1	0,01	1%
Provisions						End of FY 2016/17			-0,2	0,00	0%
<b>EV adjustments</b>									<b>32</b>	<b>0,08</b>	<b>8%</b>
<b>Valuation</b>						<b>Number of shares (m)</b>	<b>394</b>		<b>391</b>	<b>0,99</b>	<b>100%</b>

<b>Target price after discount</b>	<b>10%</b>	<b>0,89</b>
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Source : Invest Securities

#### 4.4.2 Equity valuation of €391m and target price of €0.89 per share

##### • EV adjustments

In addition to the usual elements (net debt and other provisions), the EV adjustments include:

- cash coming from the arrival of minority shareholders at PlanetArt (€11.4m) and myDevices (€3.2m) in H2 2017
- cash (€2.1m) linked to the exercise of stock-options in the autumn

In total, quasi-liquid assets totaled €32m, corresponding to €0.08 per share

##### • Target price of €0.89 after applying a holding company discount of -10%

Given the diversity of the group's three businesses and the absence of synergies between them, we believe that a holding company discount should be applied to Claranova. We had set a discount of -25% at the time of the initiation of our coverage of the company in May 2016. Since then, the company has shown an excellent track record, having notably succeeded in taking two of its three divisions to positive EBITDA. For this reason, we have lowered this discount to -10%. In the end, our valuation equals €0.89 per share.

##### • Limited upside potential following the stock's strong rally since the beginning of the year

Despite the +65% increase in our target price (€0.89 vs. €0.54), the stock is fairly valued after its strong rally (+97%) since the beginning of the year.

Asia would lift the stock's valuation by +€0.05 over the short term, with potential for +€0.25 over the next two years



Notes

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## Notes

## SWOT ANALYSIS

### STRENGTHS

- ❑ Management's good track record.
- ❑ A leading application in photo printing in the US and the UK with 8.4 million clients.
- ❑ myDevices, in a start-up phase, is well positioned to become a benchmark IoT platform.

### OPPORTUNITIES

- ❑ Claranova had €101m in unused tax loss carryforwards at the end of 2015/16, corresponding to €0.25/share.

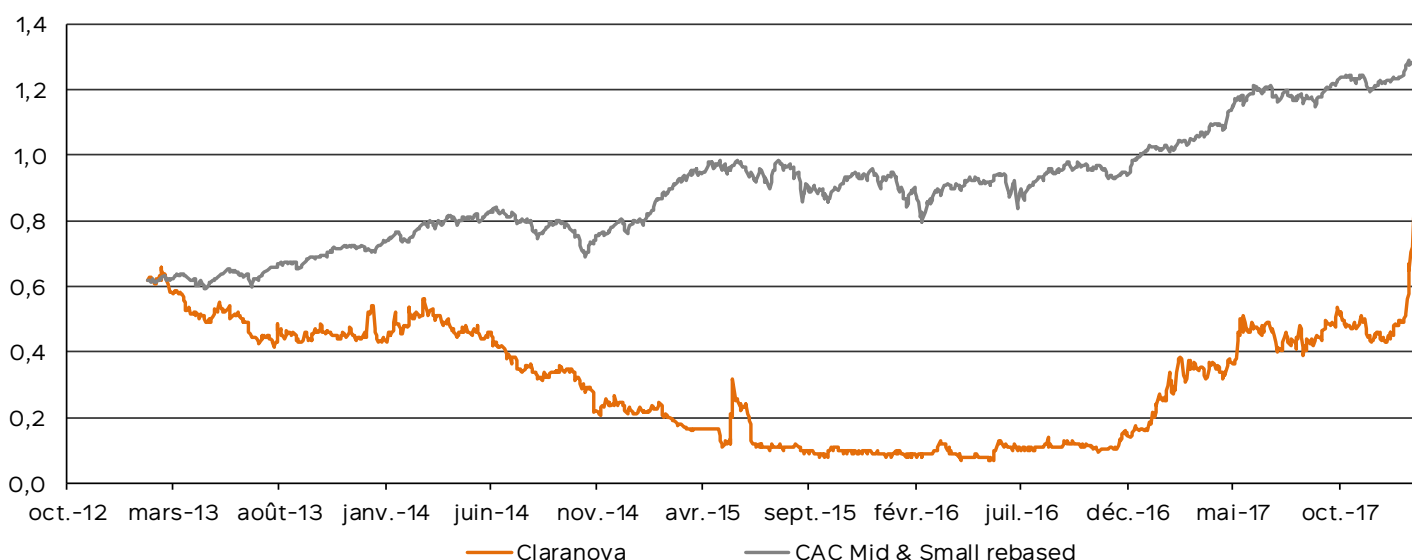
### WEAKNESSES

- ❑ The €/€ and €/£ trend has a significant impact on the consolidated accounts in €.

### THREATS

- ❑ A still early stage IoT market on which numerous players are present.

## SHARE PRICE CHANGE FOR 5 YEARS



## DETECTION OF CONFLICTS OF INTEREST

	Corporate Finance	Treasury stocks holding	Prior communication to company	Analyst's personal interest	Liquidity contract	Listing Sponsor	Research Contract
<b>Claranova</b>	No	No	Yes	No	No	No	Yes

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