

# Claranova

Buy → | Target price: 10.5 € vs 11.3 € ↘

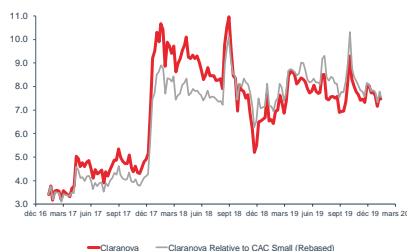
Price (11/02/2020): 7.46 € | Upside: 41%

Revision	2020e	2021e
EPS	-42.4%	-13.6%

## Lacklustre Q2: strong contribution from Personal Creations, but organic growth slows

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Sources : ODDO BHF Securities, SIX

### Capital

#### CLA FP | CLA.PA

Market Cap (€m)	294
Enterprise value (€m)	365
Extrema 12 months (€)	6.44 - 9.30
Free Float (%)	81.4

Performance (%)	1m	3m	12m
Absolute	-3.3	-6.4	18.3
Perf. rel. Country Index	-5.4	-11.4	-0.3
Perf. rel. CAC Small	-3.4	-9.7	9.1

### P&L

	06/20e	06/21e	06/22e
Sales (€m)	406	479	566
EBITDA (€m)	18.0	34.0	47.8
Current EBIT (€m)	13.9	29.5	41.9
Attr. net profit (€m)	6.8	15.4	23.4
Adjusted EPS (€)	0.16	0.36	0.59
Dividend (€)	0.00	0.00	0.00
P/E (x)	46.8	20.6	12.7
P/B (x)	4.9	3.9	3.0
Dividend Yield (%)	0.0	0.0	0.0
FCF yield (%)	3.4	7.4	10.8
EV/Sales (x)	0.90	0.70	0.45
EV/EBITDA (x)	20.3	9.9	5.3
EV/Current EBIT (x)	26.3	11.4	6.1
Gearing (%)	-16	-42	-65
Net Debt/EBITDA (x)	ns	ns	ns

### Next Events

31/03/2020	H1 Results
13/05/2020	Q3 Sales
11/08/2020	FY Sales
30/09/2020	FY Results

### Q2 sales of € 164.5m: up +80% y-o-y, of which +16% organic

Yesterday evening, Claranova published a fairly mix set of sales figures, albeit above consensus forecasts on a reported basis. Over the period, sales came in at € 164.5m, up 80% y-o-y, of which +16% organic. All told, the second quarter of Personal Creations' integration provided a positive surprise with a very strong contribution (€ 55.4m vs € 20m est.), whilst the surprise on organic growth was negative, coming in below forecasts (+26% est.).

For the half-year period, sales were € 234.3m, up 68% y-o-y, with +19% in organic terms.

### Q2 2019-20 sales

€ m	Rep.	Est.	N-1	% ch. y-o-y
Mobile – Q2	137.8	108.3	67.4	+104% (+18% l-f-l)
Internet – Q2	25.0	26.8	23.2	+8% (+6% l-f-l)
IoT – Q2	1.7	0.8	0.9	+99% (+92% l-f-l)
<b>Q2 2019-20 sales</b>	<b>164.5</b>	<b>135.8</b>	<b>91.5</b>	<b>+80% (+16% l-f-l)</b>
<b>H1 2019-20 sales</b>	<b>234.3</b>	<b>205.7</b>	<b>139.6</b>	<b>+68% (+19% l-f-l)</b>

Sources: ODDO BHF Securities, company

### A mixed performance in Q2: the strong contribution from Personal Creations masks the deceleration in organic growth

From the press release and after contact with the company, we note the following:

- **The Mobile division (PlanetArt 79%)** delivered a mixed performance. The contribution to sales from Personal Creations stood at € 63.9m for the five months of integration, an unexpected performance buoyed by a strong seasonal effect (Christmas period; >60% of sales) and already very close to management's full-year targets (unchanged at >€ 70m). Conversely, this contribution masks a sequential slowdown in organic growth, to +18% y-o-y in Q2 linked to the arbitrage of resources towards Europe, with a deceleration in the US zone. However, we understand that this poor performance is only temporary and cannot be extrapolated, particularly with the new countries opened in 2019 (Belgium, the Netherlands, Poland, Austria) also underpinning the return to growth in the second half.
- **The internet division (Avanquest 20%)** also marked a slowdown with organic growth of +6% y-o-y in Q2 (+12% in H1). Even though we have noted the effects penalising sales growth in the short term on a number of occasions (shift to a subscription model, focus on proprietary software systems, discontinuation of non-core products, demanding comparison bases), the impact was nonetheless greater than anticipated. However, note that the ongoing projects, which we deem necessary, should ultimately enhance the profile and the future of this division, which makes a substantial contribution to group earnings.
- Lastly, the **IoT division (myDevices 1%)** benefited over the quarter from royalties stemming from its partnership with Sprint (€ 1m), with sales now at € 2.2m for the first half, representing a y-o-y increase of 28%.

### Impact on forecasts will be decisive - Target price to € 10.5 vs € 11.3

In light of this publication, we note the successful integration of Personal Creations, which confirms its strategic and economic value to the PlanetArt division (contribution now anticipated at around € 90m for the full year). Conversely, the associated mix effects (operational breakeven at Personal Creations targeted for 2019-20) and investments approved for the internet division, will have an impact on the group's profitability in the short term. We now forecast an overall consolidated EBITDA margin for H1 of 5.0% (€ 11.6m) and have automatically lowered our forecasts for the full year: 2019-20 sales of € 405.9m (vs € 407.9m) and an EBITDA margin of 4.4% (vs 5.8%). As a result, we have lowered our target price to € 10.5 vs € 11.3 previously, suggesting a valuation of € 7.6/share for PlanetArt, € 1.9/share for Avanquest, € 0.7/share for myDevices and € 0.3/share for cash. Buy recommendation reiterated.

**Nicolas Thorez (Analyst)**

### Conflict of interests:

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**CLA FP | CLA.PA**  
**Software | France**

**Buy**

Upside 40.69%

Price 7.46EUR

TP 10.50EUR

PER SHARE DATA (€)	06/15	06/16	06/17	06/18	06/19	06/20e	06/21e	06/22e
Adjusted EPS	-0.27	-0.64	-0.21	0.03	0.20	0.16	0.36	0.59
<b>Reported EPS</b>	<b>-0.33</b>	<b>-0.76</b>	<b>-0.23</b>	<b>-0.21</b>	<b>-1.03</b>	<b>0.17</b>	<b>0.39</b>	<b>0.60</b>
Growth in adjusted EPS	ns	ns	ns	ns	ns	-21.8%	ns	61.6%
Net dividend per share	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
FCF to equity per share	0.00	-0.33	-0.01	0.13	0.12	0.26	0.55	0.81
Book value per share	1.45	0.06	0.03	0.33	1.34	1.51	1.91	2.50
Number of shares market cap (m)	37.50	37.53	37.53	39.36	39.44	39.44	39.44	39.44
Number of diluted shares (m)	20.12	37.52	37.53	40.74	42.74	42.74	42.74	40.15
<b>VALUATION (€m)</b>	<b>06/15</b>	<b>06/16</b>	<b>06/17</b>	<b>06/18</b>	<b>06/19</b>	<b>06/20e</b>	<b>06/21e</b>	<b>06/22e</b>
12m highest price (€)	3.20	1.77	5.35	11.51	9.30	8.32		
12m lowest price (€)	0.80	0.70	1.67	4.90	6.19	7.15		
(*) Reference price (€)	2.42	0.97	2.44	6.94	7.87	7.46	7.46	7.46
Capitalization	90.6	36.3	91.5	273	310	294	294	294
Restated Net debt	-23.9	-9.8	-16.0	-37.5	-23.6	-11.4	-39.7	-79.7
Minorities (fair value)	0.0	0.0	0.1	21.3	41.8	41.8	41.8	0.1
Financial fixed assets (fair value)	3.0	0.7	0.4	0.4	1.5	1.5	1.5	1.5
Provisions	0.0	0.0	0.0	0.0	42.2	42.2	42.2	42.2
<b>Enterprise Value</b>	<b>63.7</b>	<b>25.8</b>	<b>75.3</b>	<b>256</b>	<b>369</b>	<b>365</b>	<b>337</b>	<b>255</b>
P/E (x)	ns	ns	ns	181	40.0	46.8	20.6	12.7
P/CF (x)	ns	ns	ns	ns	5.1	21.2	11.8	8.2
Net Yield	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
FCF yield	0.0%	ns	ns	1.8%	1.5%	3.4%	7.4%	10.8%
P/B incl. GW (x)	1.66	17.34	79.24	21.33	5.88	4.93	3.91	2.98
P/B excl. GW (x)	1.98	17.34	79.24	21.33	624	35.12	11.98	6.10
EV/Sales (x)	0.68	0.22	0.58	1.59	1.41	0.90	0.70	0.45
EV/EBITDA (x)	34.1	ns	ns	71.2	22.7	20.3	9.9	5.3
<b>EV/Current EBIT (x)</b>	<b>ns</b>	<b>ns</b>	<b>ns</b>	<b>ns</b>	<b>25.3</b>	<b>26.3</b>	<b>11.4</b>	<b>6.1</b>
(*) historical average price								
<b>PROFIT AND LOSS (€m)</b>	<b>06/15</b>	<b>06/16</b>	<b>06/17</b>	<b>06/18</b>	<b>06/19</b>	<b>06/20e</b>	<b>06/21e</b>	<b>06/22e</b>
Sales	93	117	130	162	262	406	479	566
EBITDA	1.9	-1.8	-2.5	3.6	16.3	18.0	34.0	47.8
Depreciations	-13.3	-14.2	-5.6	-7.6	-1.7	-4.1	-4.5	-5.9
<b>Current EBIT</b>	<b>-11.5</b>	<b>-16.1</b>	<b>-8.1</b>	<b>-4.0</b>	<b>14.6</b>	<b>13.9</b>	<b>29.5</b>	<b>41.9</b>
Published EBIT	4.1	-26.1	-7.6	-6.4	11.7	13.9	29.5	41.9
Net financial income	1.1	-1.7	-0.9	-0.3	-49.1	-2.5	-2.5	-2.4
Corporate Tax	-0.6	-0.8	-0.4	-1.8	-3.7	-1.7	-6.8	-9.9
Net income of equity-accounted companies	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Profit/loss of discontinued activities (after tax)	-3.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Minority interests	-8.1	0.0	0.3	0.2	0.6	-2.9	-4.9	-6.2
Attributable net profit	-6.5	-28.5	-8.5	-8.2	-40.5	6.8	15.4	23.4
<b>Adjusted attributable net profit</b>	<b>-5.5</b>	<b>-24.2</b>	<b>-8.0</b>	<b>1.3</b>	<b>8.7</b>	<b>6.8</b>	<b>15.4</b>	<b>23.4</b>
<b>BALANCE SHEET (€m)</b>	<b>06/15</b>	<b>06/16</b>	<b>06/17</b>	<b>06/18</b>	<b>06/19</b>	<b>06/20e</b>	<b>06/21e</b>	<b>06/22e</b>
Goodwill	4.8	0.0	0.0	0.0	63.0	63.0	63.0	63.0
Other intangible assets	7.3	1.5	0.9	0.5	6.9	3.5	2.6	1.5
Tangible fixed assets	0.6	0.5	0.3	0.2	1.4	13.9	11.3	7.2
WCR	-10.0	-10.4	-16.2	-24.2	-31.0	-18.2	-22.8	-27.9
Financial assets	3.0	0.7	0.4	0.4	1.5	1.5	1.5	1.5
Ordinary shareholders equity	29.3	2.1	1.2	12.5	52.6	59.4	74.8	98.2
Minority interests	0.0	0.0	0.1	1.8	11.0	13.9	18.8	25.0
Shareholders equity	29.3	2.1	1.3	14.3	63.6	73.3	93.5	123
Non-current provisions	0.3	0.0	0.1	0.1	1.8	1.8	1.8	1.8
<b>Net debt</b>	<b>-23.9</b>	<b>-9.8</b>	<b>-16.0</b>	<b>-37.5</b>	<b>-23.6</b>	<b>-11.4</b>	<b>-39.7</b>	<b>-79.7</b>
<b>CASH FLOW STATEMENT (€m)</b>	<b>06/15</b>	<b>06/16</b>	<b>06/17</b>	<b>06/18</b>	<b>06/19</b>	<b>06/20e</b>	<b>06/21e</b>	<b>06/22e</b>
<b>EBITDA</b>	<b>1.9</b>	<b>-1.8</b>	<b>-2.5</b>	<b>3.6</b>	<b>16.3</b>	<b>18.0</b>	<b>34.0</b>	<b>47.8</b>
Change in WCR	0.4	2.5	6.8	7.9	-4.1	1.7	4.6	5.2
Interests & taxes	-0.6	-0.4	-0.1	-1.2	-3.8	-4.2	-9.3	-12.3
Others	-11.9	-11.6	-4.6	-5.2	-1.2	0.0	0.0	0.0
Operating Cash flow	-10.2	-11.4	-0.3	5.2	7.2	15.5	29.3	40.7
CAPEX	-4.4	-0.9	-0.2	-0.1	-2.5	-1.2	-0.9	-0.7
<b>Free cash-flow</b>	<b>-14.6</b>	<b>-12.3</b>	<b>-0.5</b>	<b>5.1</b>	<b>4.7</b>	<b>14.3</b>	<b>28.4</b>	<b>40.0</b>
Acquisitions / disposals	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.0
Dividends	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net capital increase	33.2	-5.1	1.9	2.0	-1.4	0.0	0.0	0.0
Others	10.8	1.6	3.6	13.6	-13.3	-26.5	0.0	0.0
Change in net cash	29.2	-15.7	4.5	20.8	-9.8	-12.2	28.4	40.0
<b>GROWTH MARGINS PRODUCTIVITY</b>	<b>06/15</b>	<b>06/16</b>	<b>06/17</b>	<b>06/18</b>	<b>06/19</b>	<b>06/20e</b>	<b>06/21e</b>	<b>06/22e</b>
Sales growth	8.8%	26.1%	10.9%	24.0%	62.4%	54.8%	18.0%	18.1%
<b>Lfl sales growth</b>	<b>8.8%</b>	<b>26.1%</b>	<b>10.9%</b>	<b>24.0%</b>	<b>33.1%</b>	<b>20.5%</b>	<b>17.9%</b>	<b>18.1%</b>
Current EBIT growth	ns	ns	ns	ns	ns	-4.8%	ns	41.8%
Growth in adjusted EPS	ns	ns	ns	ns	ns	-21.8%	ns	61.6%
Net margin	-5.9%	-20.6%	-6.2%	0.8%	3.3%	1.7%	3.2%	4.1%
<b>EBITDA margin</b>	<b>2.0%</b>	<b>-1.6%</b>	<b>-1.9%</b>	<b>2.2%</b>	<b>6.2%</b>	<b>4.4%</b>	<b>7.1%</b>	<b>8.4%</b>
<b>Current EBIT margin</b>	<b>-12.3%</b>	<b>-13.7%</b>	<b>-6.2%</b>	<b>-2.5%</b>	<b>5.6%</b>	<b>3.4%</b>	<b>6.2%</b>	<b>7.4%</b>
CAPEX / Sales	-4.7%	-0.8%	-0.1%	-0.1%	-1.0%	-0.3%	-0.2%	-0.1%
WCR / Sales	-10.7%	-8.8%	-12.4%	-15.0%	-11.8%	-4.5%	-4.8%	-4.9%
Tax Rate	10.9%	-2.8%	-4.7%	-27.0%	-9.9%	15.0%	25.0%	25.0%
Normative tax rate	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%
Asset Turnover	8.2	-40.8	-11.1	-8.4	31.2	7.9	8.2	11.5
<b>ROCE post-tax (normative tax rate)</b>	<b>-75.7%</b>	<b>ns</b>	<b>52.0%</b>	<b>15.7%</b>	<b>ns</b>	<b>20.3%</b>	<b>38.1%</b>	<b>63.5%</b>
ROCE post-tax hors GW (normative tax rate)	ns	ns	ns	ns	ns	ns	ns	ns
ROE	-36.1%	ns	ns	18.7%	26.7%	12.1%	23.0%	27.0%
<b>DEBT RATIOS</b>	<b>06/15</b>	<b>06/16</b>	<b>06/17</b>	<b>06/18</b>	<b>06/19</b>	<b>06/20e</b>	<b>06/21e</b>	<b>06/22e</b>
Gearing	-82%	ns	ns	ns	-37%	-16%	-42%	-65%
Net Debt / Market Cap	-0.26	-0.27	-0.17	-0.14	-0.08	-0.04	-0.14	-0.27
<b>Net debt / EBITDA</b>	<b>ns</b>	<b>5.33</b>	<b>6.39</b>	<b>ns</b>	<b>ns</b>	<b>ns</b>	<b>ns</b>	<b>ns</b>
EBITDA / net financial charges	-1.7	8.3	8.3	14.4	8.6	7.2	13.6	19.9

Sources: ODDO BHF Securities, SIX



• **Valuation method**

Our target prices are established on a 12-month timeframe and we use three valuation methods to determine them. First, the discounting of available cash flows using the discounting parameters set by the Group and indicated on ODDO BHF' website. Second, the sum-of-the-parts method based on the most pertinent financial aggregate depending on the sector of activity. Third, we also use the peer comparison method which facilitates an evaluation of the company relative to similar businesses, either because they operate in identical sectors (and are therefore in competition with one another) or because they benefit from comparable financial dynamics. A mixture of these valuation methods may be used in specific instances to more accurately reflect the specific characteristics of each company covered, thereby fine-tuning its evaluation.

• **Sensitivity of the result of the analysis/ risk classification:**

The opinions expressed in the financial analysis are opinions as per a particular date, i.e. the date indicated in the financial analysis. The recommendation (cf. explanation of the recommendation systematic) can change owing to unforeseeable events which may, for instance, have repercussions on both the company and on the whole industry.

• **Our stock market recommendations**

Our stock market recommendations reflect the RELATIVE performance expected for each stock on a 12-month timeframe.

Buy: performance expected to exceed that of the benchmark index, sectoral (large caps) or other (small and mid caps).

Neutral: performance expected to be comparable to that of the benchmark index, sectoral (large caps) or other (small and mid caps).

Reduce: performance expected to fall short of that of the benchmark index, sectoral (large caps) or other (small and mid caps).

• **The prices of the financial instruments used and mentioned in this document are the closing prices.**

• **All publications by ODDO BHF concerning the companies covered and mentioned in this document are available on the research site: [www.securities.oddo-bhf.com](http://www.securities.oddo-bhf.com)**

**Recommendation and target price changes history over the last 12 months for the company analysed in this report**

Date	Reco	Price Target (EUR)	Price (EUR)	Analyst
02/10/19	Buy	11.30	7.29	Nicolas Thorez
24/05/19	Buy	12.00	8.36	Nicolas Thorez

In accordance with Article 20 of European Regulation No. 596/2014 (Market Abuse Regulation), a list of all recommendations on any financial instrument or issuer that have been disseminated over the past twelve months is available by clicking on the following link [www.securities.oddo-bhf.com](http://www.securities.oddo-bhf.com)

**Recommendation split**

		Buy	Neutral	Reduce
Our whole coverage	(433)	45%	42%	13%
Liquidity providers coverage	(86)	52%	41%	7%
Research service coverage	(31)	68%	32%	0%
Investment banking services	(20)	75%	25%	0%

**Risk of conflict of interest:**

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Has ODDO BHF, managed or co-managed in the past 12 months a public offering of securities for the subject company/ies? No

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ODDO BHF and the issuer have agreed that ODDO BHF will produce and disseminate investment recommendations on the said issuer as a service to the issuer Yes

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Does ODDO BHF, own 5% or more of any class of common equity securities of the subject company/ies? No

Does the subject company beneficially own 5% or more of any class of common equity of ODDO BHF or its affiliates? No

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Has a copy of this report ; with the target price and/or rating removed, been presented to the subject company/ies prior to its distribution, for the sole purpose of verifying the accuracy of factual statements ? No

Have the conclusions of this report been amended following disclosure to the company/ies and prior its distribution? No

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Is ODDO BHF, aware of any additional material conflict of interest? No

**Personal conflicts of interest**

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Have those responsible for the drafting of the present document received remuneration directly linked to investment firm service transactions or any other kind of transaction they carry out or any trading commissions they, or any legal person who is part of the same group, receive? No

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