

Claranova

Buy → | Target price : 8.50 € vs 10.5 € ↘

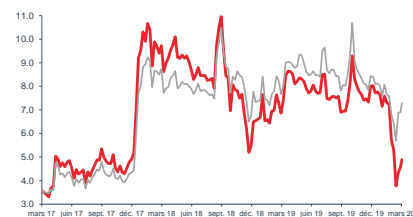
Price (31/03/2020) : 4.89 € | Upside : 74%

Revision	2020e	2021e
EPS	-71.1%	-30.0%

H1 driving growth – Limited direct impact from COVID-19 to date

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Sources : ODDO BHF Securities, SIX

Capital				
CLA FP CLA.PA				
Market Cap (€m)				193
Enterprise value (€m)				265
Extrema 12 months (€)	2.96	-		9.30
Free Float (%)				81.4
Performance (%)				
	1m	3m	12m	
Absolute	-14.6	-38.7	-28.7	
Perf. rel. Country Index	0.3	-20.4	-15.6	
Perf. rel. CAC Small	7.4	-12.9	-4.8	
P&L				
	06/20e	06/21e	06/22e	
Sales (€m)	401	474	558	
EBITDA (€m)	15.1	27.6	42.2	
Current EBIT (€m)	10.0	22.0	34.8	
Attr. net profit (€m)	2.0	10.8	17.2	
Adjusted EPS (€)	0.05	0.25	0.43	
Dividend (€)	0.00	0.00	0.00	
P/E (x)	106.3	19.3	11.3	
P/B (x)	3.5	2.9	2.3	
Dividend Yield (%)	0.0	0.0	0.0	
FCF yield (%)	3.2	9.7	13.9	
EV/Sales (x)	0.66	0.51	0.31	
EV/EBITDA (x)	17.5	8.8	4.1	
EV/Current EBIT (x)	26.5	11.0	5.0	
Gearing (%)	-7	-34	-60	
Net Debt/EBITDA (x)	ns	ns	ns	

Next Events

13/05/2020	Q3 Sales
11/08/2020	FY Sales
30/09/2020	FY Results
04/11/2020	Q1 Sales

H1 results in line with our expectations (normalised underlying operating margin at 4.8%, -3pt)

Claranova's H1 2019-20 results, posted yesterday evening, were in line with our expectations. On already-reported sales up 68% y-o-y (+19% org.) at € 234.3m, normalised underlying operating profit came in at € 11.2m (vs ODDO BHF € 11.6m), i.e. an operating margin of 4.8% (-3pt vs H1 2018-19), with the first half characterised by investment in all three divisions. Takeaways from the press release and yesterday's webcast:

- **Mobile (PlanetArt; 79%):** The operating margin came to 5.4% (-2pt), due to the integration of Personal Creations, which is close to breakeven (€ 1m), and despite excellent sales of € 63.9m (festivities). This level therefore masks a good performance in organic terms (+25% org.; margin +70bp at 7.4%), underpinned by natural leverage (especially marketing expense) and a gradual and continuing improvement in the gross margin as a result of the product mix.
- **Internet (Avanquest; 20%):** The margin came to 8.0% for the period, which is nearly half what it was in H1 2018-19, hurt by a scissors effect from the switch to a subscription model: i.e. impact on sales in the short term (spread vs upfront), against a backdrop of significant capex (marketing and R&D, notably). We note that recurrent sales amount to 42% of the total (vs 35% in N-1), which is gradually boosting the division's profile.
- **IoT (MyDevices; 1%):** The loss in H1 was in line at -€ 2.6m. The group indicated that it had expanded its reseller base, while continuing to fertilise its long-standing partners (Sprint) and its offering for hotel chains.
- Taking account of the payment of the residual amount on the Canadian firms and the PC deal, the financial situation remains solid (net cash of € 27.5m), with underpinning from a favourable impact relating to working capital seasonality (+€ 33.7m), which will be partly neutralised in the second half.

H1 2019-20 results

€ m	Rep.	Est.	N-1	% ch. y-o-y
Revenues	234.3	-	139.6	+68%
EBITDA*	11.2	11.6	10.9	+3%
% sales	4.8%	5.0%	7.8%	-3pt
Net profit	1.5	2.8	1.5	-3%

Sources: ODDO BHF Securities, company / * equates to normalised underl. op. profit reported by company

COVID-19: The direct impacts are limited for PlanetArt and Avanquest

The group said that it had noted no significant impact from the ongoing pandemic to date, given the nature of its operations. That said, it indicated that it had temporarily closed the Personal Creations plant in the US, which should not have a significant impact on the top line (slow period) although there could be a negative effect on profitability in H2 (fixed costs estimated at around 50% of the cost base). We note that for the mobile division, production at subcontractors and deliveries are continuing in all the countries affected, despite some obvious slowdowns. All told, we think that the group boasts solid capacity for resilience, given its model for PlanetArt (Fabless + B2C online with >80% repeat), Avanquest (revenue recurrence, around 98% online), and the gross cash on the balance sheet (€ 91.4m).

Buy rating reiterated, target price adjusted to € 8.5 (from € 10.5)

In light of these figures, we have revised our FY 2019-20 scenario: forecast sales of € 400.9m (vs € 405.9m) and EBITDA of € 15.1m (margin of 3.8% vs 4.4%e). Our 2020 EPS revision includes a loss for Personal Creations (vs breakeven before), higher tax expense and exceptionals. After taking account of a higher risk premium, we have lowered our target price to € 8.5 (vs € 10.5), which points to a valuation of € 6.0 per share for PlanetArt, € 1.5 per share for Avanquest, € 0.6 per share for myDevices and € 0.4 per share for cash. We are maintaining our Buy rating in light of the share's sell-off (-39% YTD), which is overdone in our view and which offers significant upside.

Nicolas Thorez (Analyst)

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CLA.PA | CLA FP
Software | France

Buy

Upside

73.88%

Price 4.89 €

TP 8.50 €

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	0.05	0.25	0.43
Reported EPS	-0.33	-0.76	-0.23	-0.21	-1.03	0.05	0.27	0.44
Growth in adjusted EPS	ns	ns	ns	ns	ns	-77.4%	ns	70.1%
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	0.16	0.47	0.68
Book value per share	1.45	0.06	0.03	0.33	1.34	1.39	1.67	2.11
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
VALUATION (€m)	06/15	06/16	06/17	06/18	06/19	06/20e	06/21e	06/22e
12m highest price (€)	5.60	3.20	1.77	5.35	11.51	9.30	8.32	
12m lowest price (€)	2.07	0.80	0.70	1.67	4.90	6.19	2.96	
(*) Reference price (€)	2.42	0.97	2.44	6.94	7.87	4.89	4.89	4.89
Capitalization	90.6	36.3	91.5	273	310	193	193	193
Restated Net debt	-23.9	-9.8	-16.0	-37.5	-23.6	-4.7	-26.6	-59.8
Minorities (fair value)	0.0	0.0	0.1	21.3	36.0	36.0	36.0	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
Enterprise Value	63.7	25.8	75.3	256	364	265	243	174
P/E (x)	ns	ns	ns	181	40.0	106	19.3	11.3
P/CF (x)	ns	ns	ns	ns	5.1	25.2	10.5	6.6
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%	3.2%	9.7%	13.9%
P/B incl. GW (x)	1.66	17.34	79.24	21.33	5.88	3.51	2.93	2.32
P/B excl. GW (x)	1.98	17.34	79.24	21.33	624	76.21	14.69	6.25
EV/Sales (x)	0.68	0.22	0.58	1.59	1.39	0.66	0.51	0.31
EV/EBITDA (x)	34.1	ns	ns	71.2	22.3	17.5	8.8	4.1
EV/Current EBIT (x)	ns	ns	ns	ns	24.9	26.5	11.0	5.0
(*) historical average price								
PROFIT AND LOSS (€m)	06/15	06/16	06/17	06/18	06/19	06/20e	06/21e	06/22e
Sales	93	117	130	162	262	401	474	558
EBITDA	1.9	-1.8	-2.5	3.6	16.3	15.1	27.6	42.2
Depreciations	-13.3	-14.2	-5.6	-7.6	-1.7	-5.1	-5.6	-7.4
Current EBIT	-11.5	-16.1	-8.1	-4.0	14.6	10.0	22.0	34.8
Published EBIT	4.1	-26.1	-7.6	-6.4	11.7	7.6	22.0	34.8
Net financial income	1.1	-1.7	-0.9	-0.3	-49.1	-3.5	-3.1	-2.7
Corporate Tax	-0.6	-0.8	-0.4	-1.8	-3.7	-1.6	-6.2	-10.6
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	-0.5	-1.9	-4.3
Attributable net profit	-6.5	-28.5	-8.5	-8.2	-40.5	2.0	10.8	17.2
Adjusted attributable net profit	-5.5	-24.2	-8.0	1.3	8.7	2.0	10.8	17.2
BALANCE SHEET (€m)	06/15	06/16	06/17	06/18	06/19	06/20e	06/21e	06/22e
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	2.6	1.7	0.6
Tangible fixed assets	0.6	0.5	0.3	0.2	1.4	13.8	10.0	4.4
WCR	-10.0	-10.4	-16.2	-24.2	-31.0	-17.8	-22.3	-27.4
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	54.6	65.3	82.5
Minority interests	0.0	0.0	0.1	1.8	11.0	11.5	13.4	17.7
Shareholders equity	29.3	2.1	1.3	14.3	63.6	66.0	78.7	100
Non-current provisions	0.3	0.0	0.1	0.1	1.8	1.8	1.8	1.8
Net debt	-23.9	-9.8	-16.0	-37.5	-23.6	-4.7	-26.6	-59.8
CASH FLOW STATEMENT (€m)	06/15	06/16	06/17	06/18	06/19	06/20e	06/21e	06/22e
EBITDA	1.9	-1.8	-2.5	3.6	16.3	15.1	27.6	42.2
Change in WCR	0.4	2.5	6.8	7.9	-4.1	1.3	4.6	5.0
Interests & taxes	-0.6	-0.4	-0.1	-1.2	-3.8	-5.1	-9.3	-13.3
Others	-11.9	-11.6	-4.6	-5.2	-1.2	-2.4	0.0	0.0
Operating Cash flow	-10.2	-11.4	-0.3	5.2	7.2	8.9	22.8	33.9
CAPEX	-4.4	-0.9	-0.2	-0.1	-2.5	-1.2	-0.9	-0.7
Free cash-flow	-14.6	-12.3	-0.5	5.1	4.7	7.6	21.8	33.2
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	-18.9	21.8	33.2
GROWTH MARGINS PRODUCTIVITY	06/15	06/16	06/17	06/18	06/19	06/20e	06/21e	06/22e
Sales growth	8.8%	26.1%	10.9%	24.0%	62.4%	52.9%	18.2%	17.8%
Lfl sales growth	8.8%	26.1%	10.9%	24.0%	33.1%	20.5%	18.1%	17.8%
Current EBIT growth	ns	ns	ns	ns	ns	-31.6%	ns	58.1%
Growth in adjusted EPS	ns	ns	ns	ns	ns	-77.4%	ns	70.1%
Net margin	-5.9%	-20.6%	-6.2%	0.8%	3.3%	0.5%	2.3%	3.1%
EBITDA margin	2.0%	-1.6%	-1.9%	2.2%	6.2%	3.8%	5.8%	7.6%
Current EBIT margin	-12.3%	-13.7%	-6.2%	-2.5%	5.6%	2.5%	4.6%	6.2%
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%	-4.4%	-4.7%	-4.9%
Tax Rate	10.9%	-2.8%	-4.7%	-27.0%	-9.9%	40.0%	33.0%	33.0%
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	8.3	11.9
ROCE post-tax (normative tax rate)	-75.7%	ns	52.0%	15.7%	ns	14.7%	29.0%	55.5%
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%	3.6%	18.0%	23.3%
DEBT RATIOS	06/15	06/16	06/17	06/18	06/19	06/20e	06/21e	06/22e
Gearing	-82%	ns	ns	ns	-37%	-7%	-34%	-60%
Net Debt / Market Cap	-0.26	-0.27	-0.17	-0.14	-0.08	-0.02	-0.14	-0.31
Net debt / EBITDA	ns	5.33	6.39	ns	ns	ns	6.39	ns
EBITDA / net financial charges	-1.7	8.3	8.3	14.4	8.6	4.3	8.9	15.6

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.

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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).

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Date	Reco	Price Target (EUR)	Price (EUR)	Analyst
12/02/20	Buy	10.50	7.67	Nicolas Thorez
02/10/19	Buy	11.30	7.29	Nicolas Thorez
24/05/19	Buy	12.00	8.36	Nicolas Thorez

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		Buy	Neutral	Reduce
Our whole coverage	(431)	45%	42%	14%
Liquidity providers coverage	(86)	53%	42%	5%
Research service coverage	(31)	58%	35%	6%
Investment banking services	(21)	76%	24%	0%

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