

Claranova

Q4 revenue update

Strong finish to the year

COVID-19 lockdowns were a positive driver of demand for FreePrints photo printing services and also boosted demand for Avanquest's proprietary software products. With FY20 revenues (€409m unaudited) coming in 7% ahead of our expectations, we have revised our FY20 forecasts resulting in a 47% upgrade to EBITDA and a 120% upgrade to our normalised EPS forecast. Our FY21 forecasts remain essentially unchanged. The company will report FY20 results on 30 September.

Year end	Revenue (€m)	EBITDA** (€m)	PBT* (€m)	Diluted EPS* (€)	DPS (€)	P/E (x)
06/18	161.5	3.9	3.1	0.06	0.0	103.3
06/19	262.3	16.0	12.0	0.25	0.0	26.4
06/20e	408.6	16.0	11.1	0.20	0.0	33.0
06/21e	459.3	29.3	24.1	0.35	0.0	18.6

Note: *PBT and EPS are normalised, excluding amortisation of acquired intangibles, exceptional items and share-based payments. **Pre-IFRS 16

Organic Q4 revenues +34% y-o-y

Claranova has reported Q420 revenue growth of 52%, or 34% on an organic constant currency (cc) basis. By division, PlanetArt was 80% higher (53% organic cc), Avanquest was down 3% (-5% cc) and myDevices was up 149% (+145% cc). The company had already highlighted in May that it had seen a higher volume of FreePrints app downloads as well as existing users ordering more via the app. This continued through the remainder of Q4. In addition, resumption of production at the Personal Creations facility was faster than expected. Software for productivity, electronic signatures and photo editing also proved popular during Q4.

Upgrading FY20 estimates

We have revised our FY20 revenue forecast to reflect actuals, and considering in particular the revenue upside for PlanetArt in Q4, we have upgraded our EBITDA forecast. For FY20 this increases from €13.1m to €19.2m (or from €9.9m to €16.0m on a pre-IFRS 16 basis, the company's basis for reporting). This results in a 120% increase in our normalised EPS forecast. Full FY20 profitability will be disclosed when the company reports results on 30 September. Our FY21 forecasts remain essentially unchanged as at this point as it is not clear whether the pick-up in demand was solely lockdown-related.

Valuation: Sum-of-parts suggests material upside

Reflecting the different business models and minority interests for each division, we continue to use a sum-of-the-parts approach to valuation. Based purely on peer group averages per division, we calculate a fair value of €15.42 per share. However, once multiples are adjusted to reflect our views on the growth and profitability of each division, we calculate what we believe to be a more realistic valuation of €11.52 per share (up from €11.42). Factors that could provide upside to our estimates would be sustained high demand for photo printing and software and successful adoption of the FreePrints Gift app in the US.

Software & comp services

13 August 2020

Price **€6.52**

Market cap **€256m**

\$1.17:€1

Net cash (€m) at end H120 27.5

Shares in issue (basic) 39.2m

Free float 91%

Code CLA

Primary exchange Euronext Paris

Secondary exchange N/A

Share price performance



% 1m 3m 12m

Abs 23.8 12.5 (18.6)

Rel (local) 20.8 -0.6 (14.8)

52-week high/low €9.30 €2.96

Business description

Claranova consists of three businesses focused on mobile and internet technologies: Printing & Gifting (digital photo printing; personalised gifts), Software and Internet of Things (IoT). Its headquarters are in Paris, and it has operations in Europe, the US and Canada.

Next events

FY20 results 30 September 2020

Analyst

Katherine Thompson +44 (0)20 3077 5730

tech@edisongroup.com

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Review of Q4 revenue update

The group achieved revenues in excess of €400m for FY20, with constant currency organic growth of 22% for the year. This was 6.8% ahead of our FY20 forecast (see Exhibit 3). In Q420, the group reported revenue growth of 52% y-o-y, or 34% on a constant currency organic basis.

Exhibit 1: Divisional revenue, Q420 and FY20 (€m)

	Q420	Q419	y-o-y	y-o-y	y-o-y
			Reported	Organic	Constant currency organic
PlanetArt	78	43	80%	54%	53%
Avanquest	22	23	-3%	-3%	-5%
myDevices	1	1	149%	149%	145%
Total	101	67	52%	35%	34%
	FY20	FY19			
PlanetArt	314	176	78%	29%	26%
Avanquest	90	83	8%	8%	6%
myDevices	5	3	51%	51%	46%
Total	409	262	56%	22%	20%

Source: Claranova

PlanetArt – lockdown drives demand for photo printing

The original photo printing business generated 29% revenue growth for FY20 and 54% growth for Q420. Annual growth was driven by geographical expansion and the introduction of new products such as Photo Tiles and FreePrints Cards in existing countries. Growth in Q4 was boosted by the fact that so many people were at home during lockdown. The gifting business, Personal Creations (acquired 2 August 2019), contributed revenue of €88m for FY20 and €10m for Q420 (no prior year comparatives are available, but this was 16% lower than in Q320).

In July in the US, PlanetArt launched the FreePrints Gifts app, a mobile app for personalised gifts. This is the first time that Personal Creations products have been available via a mobile app.

Avanquest – strong demand for InPixio and SodaPDF

This division reported 8% year-on-year revenue growth for FY20 and a 3% decline for Q420. Over the last year, the business has been focused on shifting customers from one-off software purchases to subscription licensing, which has a lower initial price but generates recurring revenues. This continued through Q4, with recurring revenues now making up 46% of the division's revenue, compared to 35% a year ago. The division saw particularly strong sales of InPixio photo software (+83% y-o-y) and SodaPDF software (+42% y-o-y) – both of which are 75% sold via subscription – as consumers made greater use of e-commerce, and productivity, electronic signature and photo-editing software during lockdown.

Roughly 10% of the division's revenues are generated from the sale of software in physical stores. During lockdown these stores were not able to operate thus contributing to the Q4 revenue decline.

The division has continued to invest in R&D during FY20, launching InPixio Studio Photo 10 in March and Adaware Antivirus and SodaPDF 12 last week. In the coming weeks, Avanquest will launch Adaware Protect, a new tool to protect users' online identity and habits.

myDevices – continuing to commercialise the platform

Despite COVID-19 slowing the physical roll-out of myDevices, the division grew 149% y-o-y in Q420 and 51% for FY20. By the end of FY20, myDevices was in use by c 500 clients at more than 5,000 sites. The division has worked on creating vertical sites for clients and partners:

Exhibit 2: myDevices vertical sites

Application	Site
Cold chain management	SimplySense.com
Security	PushandProtect.com, PushandCall.com, LockdownAlert.com
Occupancy & space utilisation	Countario.com
Predictive maintenance	PredictAlert.com
Water conservation	WaterSaveSensor.com

Source: Claranova

myDevices has worked with Sprint in the US for a number of years and now that the Sprint/T-Mobile merger has been finalised, both entities now offer myDevices to their clients.

During Q4, the company announced that it was collaborating with four other companies to bring IoT to Spanish hospitals, providing emergency buttons that signal when a patient needs an immediate intervention. Staff can then locate and identify where the call has come from in real time.

myDevices is supplying its software platform, Everynet is supplying the network infrastructure, Redexia is co-ordinating the integration and logistical deployment of the project, Abeeway supplies the buttons containing long-life batteries and Semtech provides the underlying LoRa IP.

Management changes

During Q4, the company made some changes to the management team. Sébastien Martin has moved from the CFO role to be appointed executive vice-president responsible for development projects; he will also retain investor relations responsibilities. A new CFO, Jean-Yves Quentel, has been appointed. The company has also appointed three new non-executive directors: Joanna Gordon, Francis Meston and Jérôme Bichut.

Changes to forecasts

As Q4 revenues came in substantially higher than expected, particularly for PlanetArt, we have revised our FY20 forecasts to reflect a 47% upgrade to EBITDA – this assume a c 25% drop-through of PlanetArt revenue upside. We leave our estimates for FY21 essentially unchanged as at this point, it is unclear how sustainable the strong demand for photo printing will be.

Exhibit 3: Changes to estimates

€'m	FY20e				FY21e				
	Old	New	Change	y-o-y	Old	New	Change	y-o-y	
Revenues	382.6	408.6	6.8%	55.8%	459.3	459.3	0.0%	12.4%	
EBITDA	13.1	19.2	46.9%	20.3%	32.5	32.5	(0.0%)	68.9%	
<i>EBITDA margin</i>	3.4%	4.7%	1.3%	(1.4%)	7.1%	7.1%	(0.0%)	2.4%	
EBITDA – pre IFRS 16	9.9	16.0	62.1%	0.2%	29.3	29.3	0.0%	82.6%	
<i>EBITDA margin – pre IFRS 16</i>	2.6%	3.9%	1.3%	(2.2%)	6.4%	6.4%	(0.0%)	2.5%	
Normalised operating profit	9.4	15.5	65.4%	0.3%	28.8	28.8	(0.0%)	85.3%	
<i>Normalised operating profit margin</i>	2.5%	3.8%	1.3%	(2.1%)	6.3%	6.3%	(0.0%)	2.5%	
Reported operating profit	4.1	10.2	149.8%	(10.1%)	26.5	26.5	(0.0%)	158.7%	
<i>Reported operating margin</i>	1.1%	2.5%	1.4%	(1.8%)	5.8%	5.8%	(0.0%)	3.3%	
Normalised PBT	4.9	11.1	124.9%	(7.8%)	24.1	24.1	(0.0%)	117.5%	
Reported PBT	(.4)	5.8	N/A	(115.3%)	21.8	21.8	(0.0%)	277.6%	
Normalised net income	3.6	7.9	120.1%	(19.9%)	14.0	14.0	0.1%	77.7%	
Reported net income	(2.4)	1.9	(179.4%)	(104.7%)	12.2	12.2	0.1%	542.7%	
Normalised basic EPS (€)	0.09	0.20	120.1%	(19.9%)	0.36	0.36	0.1%	77.7%	
Normalised diluted EPS (€)	0.09	0.20	120.1%	(19.9%)	0.35	0.35	0.1%	77.7%	
Reported basic EPS (€)	-0.06	0.05	(179.4%)	(104.7%)	0.31	0.31	0.1%	542.7%	
Net debt/(cash)	(8.7)	(15.3)	75.0%	(35.2%)	(35.7)	(40.4)	13.3%	164.2%	
Divisional revenues									
Printing & Gifting	290.0	313.8	8.2%	78.2%	356.5	354.3	(0.6%)	12.9%	
Software	87.9	89.9	2.3%	8.3%	97.2	99.4	2.2%	10.6%	
IoT	4.7	4.9	5.2%	54.5%	5.6	5.6	0.0%	13.3%	
Total	382.6	408.6	6.8%	55.8%	459.3	459.3	0.0%	12.4%	

Source: Edison Investment Research

Exhibit 4: Financial summary

	€'m	2015	2016	2017	2018	2019	2020e	2021e
30-June		IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
INCOME STATEMENT								
Revenue		93.1	117.4	130.2	161.5	262.3	408.6	459.3
EBITDA		(6.8)	(9.2)	(5.0)	3.9	16.0	19.2	32.5
Normalised operating profit		(11.4)	(16.0)	(5.8)	3.4	15.5	15.5	28.8
Amortisation of acquired intangibles		0.0	0.0	0.0	0.0	(1.5)	(2.3)	(2.3)
Exceptionals		15.6	(10.0)	0.4	(2.4)	(2.9)	(3.0)	0.0
Share-based payments		(0.0)	(0.1)	(4.8)	(7.1)	0.3	0.0	0.0
Reported operating profit		4.2	(26.1)	(10.1)	(6.1)	11.4	10.2	26.5
Net Interest		1.1	(1.7)	(0.9)	(0.3)	(3.5)	(4.5)	(4.7)
Joint ventures & associates (post tax)		0.0	(0.0)	0.0	0.0	0.0	0.0	0.0
Exceptionals		0.0	0.0	0.0	0.0	(45.6)	0.0	0.0
Profit Before Tax (norm)		(10.3)	(17.7)	(6.6)	3.1	12.0	11.1	24.1
Profit Before Tax (reported)		5.3	(27.8)	(11.0)	(6.4)	(37.7)	5.8	21.8
Reported tax		(0.6)	(0.8)	(0.4)	(1.8)	(3.7)	(3.2)	(5.0)
Profit After Tax (norm)		(10.9)	(18.5)	(7.0)	2.4	9.2	8.5	18.5
Profit After Tax (reported)		4.7	(28.6)	(11.4)	(8.2)	(41.4)	2.5	16.8
Minority interests		(8.1)	0.0	0.3	0.2	0.6	(0.6)	(4.5)
Discontinued operations		(3.2)	0.0	0.0	0.0	0.0	0.0	0.0
Net income (normalised)		(18.9)	(18.5)	(6.7)	2.6	9.8	7.9	14.0
Net income (reported)		(6.5)	(28.6)	(11.0)	(7.9)	(40.8)	1.9	12.2
Basic ave. number of shares outstanding (m)		6	38	38	39	39	39	39
EPS - basic normalised (€)		(3.27)	(0.49)	(0.18)	0.07	0.25	0.20	0.36
EPS - diluted normalised (€)		(3.27)	(0.49)	(0.18)	0.06	0.25	0.20	0.35
EPS - basic reported (€)		(1.13)	(0.76)	(0.29)	(0.20)	(1.04)	0.05	0.31
Dividend (€)		0.00	0.00	0.00	0.00	0.00	0.00	0.00
Revenue growth (%)		N/A	26.1	10.9	24.0	62.4	55.8	12.4
EBITDA Margin (%)		-7.3	-7.9	-3.8	2.4	6.1	4.7	7.1
Normalised Operating Margin		-12.3	-13.7	-4.4	2.1	5.9	3.8	6.3
BALANCE SHEET								
Fixed Assets		15.7	3.0	2.0	1.3	75.1	98.2	93.2
Intangible Assets		12.0	1.5	0.9	0.5	69.9	84.0	81.6
Tangible Assets		0.6	0.5	0.3	0.2	1.4	10.4	7.8
Investments & other		3.1	1.1	0.7	0.6	3.8	3.8	3.8
Current Assets		48.0	25.5	28.1	79.1	100.9	112.8	140.7
Stocks		5.9	5.0	3.7	3.7	4.8	9.0	10.1
Debtors		4.8	4.7	4.3	4.9	11.6	13.4	15.1
Cash & cash equivalents		30.5	11.1	17.1	65.7	75.4	81.3	106.4
Other		6.9	4.7	2.9	4.8	9.1	9.1	9.1
Current Liabilities		(32.0)	(25.3)	(28.1)	(37.2)	(60.5)	(72.7)	(78.9)
Creditors		(26.9)	(24.5)	(26.6)	(35.4)	(54.8)	(64.2)	(70.4)
Tax and social security		(0.3)	(0.0)	(0.3)	(1.7)	(3.0)	(3.0)	(3.0)
Short term borrowings		(4.8)	(0.7)	(1.1)	(0.1)	(2.7)	(2.7)	(2.7)
Other		0.0	0.0	0.0	0.0	0.0	(2.8)	(2.8)
Long Term Liabilities		(2.4)	(1.1)	(0.7)	(29.0)	(52.0)	(72.2)	(72.2)
Long term borrowings		(1.8)	(0.6)	0.0	(28.1)	(49.1)	(63.3)	(63.3)
Other long term liabilities		(0.7)	(0.5)	(0.7)	(0.9)	(2.9)	(8.9)	(8.9)
Net Assets		29.3	2.1	1.3	14.2	63.6	66.1	82.8
Minority interests		0.0	0.0	(0.1)	(1.8)	(11.0)	(11.6)	(16.2)
Shareholders' equity		29.3	2.1	1.2	12.5	52.6	54.5	66.7
CASH FLOW								
Op Cash Flow before WC and tax		(6.8)	(9.2)	(5.0)	3.9	16.0	19.2	32.5
Working capital		0.4	2.5	6.8	7.9	(4.1)	17.9	3.3
Exceptional & other		(3.8)	(4.3)	(2.2)	(5.7)	(5.2)	(3.0)	0.0
Tax		0.3	(0.3)	(0.0)	(1.2)	(3.8)	(3.2)	(5.0)
Net operating cash flow		(9.8)	(11.3)	(0.4)	5.0	3.0	31.0	30.8
Capex		(4.4)	(0.9)	(0.2)	(0.1)	(2.5)	(1.0)	(1.0)
Acquisitions/disposals		10.8	(0.4)	3.6	14.2	(13.3)	(31.6)	0.0
Net interest		(0.9)	(0.1)	(0.0)	(0.3)	0.0	(4.5)	(4.7)
Equity financing		33.2	(5.1)	1.9	2.0	(1.4)	0.0	0.0
Dividends		0.0	2.0	0.0	0.0	0.0	0.0	0.0
Other		0.1	0.1	0.1	(0.6)	0.0	(2.7)	0.0
Net Cash Flow		29.0	(15.7)	5.0	20.1	(14.2)	(8.8)	25.1
Opening net debt/(cash)		18.0	(23.9)	(9.8)	(16.0)	(37.5)	(23.6)	(15.3)
FX		0.1	(0.1)	(0.6)	0.4	0.3	0.5	0.0
Other non-cash movements		12.6	1.7	1.8	1.1	0.0	0.0	0.0
Closing net debt/(cash)		(23.9)	(9.8)	(16.0)	(37.5)	(23.6)	(15.3)	(40.4)

Source: Claranova, Edison Investment Research

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Frankfurt +49 (0)69 78 8076 960
Schumannstrasse 34b
60325 Frankfurt
Germany

London +44 (0)20 3077 5700
280 High Holborn
London, WC1V 7EE
United Kingdom

New York +1 646 653 7026
1,185 Avenue of the Americas
3rd Floor, New York, NY 10036
United States of America

Sydney +61 (0)2 8249 8342
Level 4, Office 1205
95 Pitt Street, Sydney
NSW 2000, Australia