

# Claranova

Buy → | Target price : 9.00 € vs 8.00 € ↗

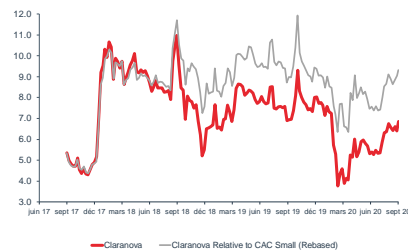
Price (30/09/2020) : 6.86 € | Upside : 31%

	Revision	2020e	2021e
EPS		-66.5%	-5.5%

## Results holding up well despite several operational challenges

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Sources : ODDO BHF Securities, SIX

### Capital

CLA FP   CLA.PA	
Market Cap (€m)	271
Enterprise value (€m)	287
Extrema 12 months (€)	2.96 - 9.30
Free Float (%)	81.4

Performance (%)	1m	3m	12m
Absolute	-0.7	33.7	4.6
Perf. rel. Country Index	0.8	33.4	13.9
Perf. rel. CAC Small	0.7	29.4	11.9

### P&L

	06/20e	06/21e	06/22e
Sales (€m)	409	510	601
EBITDA (€m)	20.6	26.3	39.2
Current EBIT (€m)	13.3	19.0	31.8
Attr. net profit (€m)	0	9.5	16.6
Adjusted EPS (€)	0.01	0.22	0.42
Dividend (€)	0.00	0.00	0.00

P/E (x)	583.5	30.8	16.5
P/B (x)	5.0	4.3	3.4
Dividend Yield (%)	0.0	0.0	0.0
FCF yield (%)	4.2	4.4	10.8
EV/Sales (x)	0.70	0.56	0.41
EV/EBITDA (x)	13.9	10.8	6.3
EV/Current EBIT (x)	21.5	15.0	7.8
Gearing (%)	-30	-31	-62
Net Debt/EBITDA (x)	ns	ns	ns

### Next Events

04/11/2020 Q1 Sales

## Good-quality FY results in a tricky operating context

Claranova published yesterday FY results (to end-June) that exceeded our expectations and those of the consensus, having previously reported 2019-20 sales up by 56% y-o-y (+20% org.) thanks to a very good Q4 (+34% org.). The group reported that normalised underlying operating profit (equivalent to EBITDA) had increased by 9% to € 17.4m (vs ODDO BHF € 13.4m; consensus € 14.6m), i.e. a margin of 4.3% (-180bp vs N-1). As expected and despite another year of strong growth, this margin contraction is due to: 1/ the integration of Personal Creations (theoretically a slightly negative contribution); 2/ the shift to a subscription model for software, and; 3/ investment in IoT. Note that the company does not currently integrate US government aid (the Paycheck Protection Program) into earnings pending final approval. This stands at around € 4.5m (i.e. >1 point of EBITDA). Attributable net profit was positive for the first time at € 0.5m, a shade below expectations, due to more significant exceptional items (M&A fees). Factoring in the remaining payments on the Canadian companies and the acquisition of Personal Creations, the financial situation remains robust (net cash of € 14m vs € 27.5m at end-December), underpinned mainly by WCR effects (momentum on FreePrints during lockdown, which is operating at a negative WCR).

### FY 2019-20 results - Claranova

€ m	Rep.	Est.	N-1	% ch. y-o-y
Sales	409.1	-	262.3	+56% (+20% org.)
Adj. EBITDA*	17.4	13.4	16.0	+9%
% sales	4.3%	3.3%	6.1%	-180bp
Attr. net result	0.5	1.5	(40.8)	n.m.

Sources: ODDO BHF Securities, company / \*Equivalent to normalised underlying operating profit reported by the company, which includes amortisation and provisions (adjusted from IFRS 16 impacts for € 3.1m).

## Integration of PC and Avanquest model evolution create short-term drag

In detail per division, and from yesterday evening's conference call, we note the following key points:

- **PlanetArt (79%):** reported a margin of 4.5% (-170bp), penalised by the integration of Personal Creations (in a recovery phase). In our view, this level hides an improvement in the organic scope (breakdown not published), thanks to natural leverage (notably on marketing costs) and a gradual improvement in the gross margin linked to the product mix.
- **Avanquest (19%):** The margin came in at 7.9%, i.e. a level significantly lower than in the previous year (12.4%), still penalised by a squeeze from the shift to a subscriber model, i.e. apparent erosion of sales in the short term (extended vs upfront), in a context of heavy investment (in particular in marketing and R&D). Note that recurring sales increased to 46% (vs 35% in N-1), gradually strengthening the division's profile.
- **myDevices (1%):** Losses were in line with expectations at -€ 4m. Furthermore, the group indicated that it had widened its reseller base while continuing to nourish relationships with its longstanding partners (Sprint).

## On course for unchanged 2023 targets, Buy recommendation reiterated

At the investors' meeting, the company reiterated its 2023 targets (€ 700m in sales, margin of 10%), based on a clear roadmap and a mix of organic and M&A. Following this publication, and after factoring CafePress into the accounts (few financial elements, sales and price estimated respectively at € 35m over 10 months and 0.2x sales), we raised our target price to € 9.0 (vs € 8.0), suggesting a valuation of € 6.3 per share for PlanetArt, € 1.5 per share for Avanquest, € 0.5 per share for myDevices and € 0.7 per share for cash. Despite a visible catch-up over three months, the stock remains down 15% YTD, with a revaluation potential that is still significant. Buy rating reiterated.

Nicolas Thorez (Analyst)

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

**Buy**

Upside 31.20%

Price 6.86 €

TP 9.00 €

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	0.01	0.22	0.42
<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>0.01</b>	<b>0.24</b>	<b>0.42</b>
Growth in adjusted EPS	ns	ns	ns	ns	ns	-94.3%	ns	86.6%
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	0.28	0.30	0.74
Book value per share	1.45	0.06	0.03	0.33	1.34	1.35	1.60	2.02
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	6.81	6.86	6.86
Capitalization	90.6	36.3	91.5	273	310	269	271	271
Restated Net debt	-23.9	-9.8	-16.0	-37.5	-23.6	-19.4	-23.3	-59.7
Minorities (fair value)	0.0	0.0	0.1	21.3	39.4	39.4	39.4	39.4
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	0.0	0.0	0.0
<b>Enterprise Value</b>	<b>63.7</b>	<b>25.8</b>	<b>75.3</b>	<b>256</b>	<b>367</b>	<b>287</b>	<b>285</b>	<b>249</b>
P/E (x)	ns	ns	ns	181	40.0	584	30.8	16.5
P/CF (x)	ns	ns	ns	ns	5.1	44.6	14.6	9.6
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%	4.2%	4.4%	10.8%
P/B incl. GW (x)	1.66	17.34	79.24	21.33	5.88	5.03	4.30	3.40
P/B excl. GW (x)	1.98	17.34	79.24	21.33	624	177	25.17	9.75
EV/Sales (x)	0.68	0.22	0.58	1.59	1.40	0.70	0.56	0.41
EV/EBITDA (x)	34.1	ns	ns	71.2	22.5	13.9	10.8	6.3
<b>EV/Current EBIT (x)</b>	<b>ns</b>	<b>ns</b>	<b>ns</b>	<b>ns</b>	<b>25.2</b>	<b>21.5</b>	<b>15.0</b>	<b>7.8</b>
(*) 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	409	510	601
EBITDA	1.9	-1.8	-2.5	3.6	16.3	20.6	26.3	39.2
Depreciations	-13.3	-14.2	-5.6	-7.6	-1.7	-7.2	-7.3	-7.4
<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>13.3</b>	<b>19.0</b>	<b>31.8</b>
Published EBIT	4.1	-26.1	-7.6	-6.4	11.7	7.8	19.0	31.8
Net financial income	1.1	-1.7	-0.9	-0.3	-49.1	-4.5	-3.5	-3.0
Corporate Tax	-0.6	-0.8	-0.4	-1.8	-3.7	-2.0	-4.3	-8.1
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	-0.7	-1.7	-4.1
Attributable net profit	-6.5	-28.5	-8.5	-8.2	-40.5	0.5	9.5	16.6
<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>0.5</b>	<b>9.5</b>	<b>16.6</b>
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	0.9	0.7	0.6
Tangible fixed assets	0.6	0.5	0.3	0.2	1.4	33.4	37.2	30.6
WCR	-10.0	-10.4	-16.2	-24.2	-31.0	-51.6	-47.9	-56.9
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	53.1	62.6	79.2
Minority interests	0.0	0.0	0.1	1.8	11.0	11.7	13.4	17.6
Shareholders equity	29.3	2.1	1.3	14.3	63.6	64.8	76.0	96.7
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>-19.4</b>	<b>-23.3</b>	<b>-59.7</b>
CASH FLOW STATEMENT (€m)	06/15	06/16	06/17	06/18	06/19	06/20e	06/21e	06/22e
<b>EBITDA</b>	<b>1.9</b>	<b>-1.8</b>	<b>-2.5</b>	<b>3.6</b>	<b>16.3</b>	<b>20.6</b>	<b>26.3</b>	<b>39.2</b>
Change in WCR	0.4	2.5	6.8	7.9	-4.1	23.1	-3.6	9.0
Interests & taxes	-0.6	-0.4	-0.1	-1.2	-3.8	-6.5	-7.8	-11.1
Others	-11.9	-11.6	-4.6	-5.2	-1.2	-8.1	0.0	0.0
Operating Cash flow	-10.2	-11.4	-0.3	5.2	7.2	29.1	14.8	37.1
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>27.8</b>	<b>13.9</b>	<b>36.4</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	-32.0	-10.0	0.0
Change in net cash	29.2	-15.7	4.5	20.8	-9.8	-4.2	3.9	36.4
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%	56.0%	24.7%	17.8%
<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>22.4%</b>	<b>15.4%</b>	<b>16.5%</b>
Current EBIT growth	ns	ns	ns	ns	ns	-8.5%	42.2%	67.6%
Growth in adjusted EPS	ns	ns	ns	ns	ns	-94.3%	ns	86.6%
Net margin	-5.9%	-20.6%	-6.2%	0.8%	3.3%	0.1%	1.9%	2.8%
<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>5.0%</b>	<b>5.2%</b>	<b>6.5%</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>3.3%</b>	<b>3.7%</b>	<b>5.3%</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%	-12.6%	-9.4%	-9.5%
Tax Rate	10.9%	-2.8%	-4.7%	-27.0%	-9.9%	62.0%	28.0%	28.0%
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	9.5	10.3	13.2
<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>23.3%</b>	<b>28.8%</b>	<b>52.3%</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%	0.9%	16.4%	23.4%
DEBT RATIOS	06/15	06/16	06/17	06/18	06/19	06/20e	06/21e	06/22e
Gearing	-82%	ns	ns	ns	-37%	-30%	-31%	-62%
Net Debt / Market Cap	-0.26	-0.27	-0.17	-0.14	-0.08	-0.07	-0.09	-0.22
<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	4.6	7.5	13.1

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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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).

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**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
09/06/20	Buy	8.00	6.19	Nicolas Thorez
01/04/20	Buy	8.50	4.23	Nicolas Thorez
12/02/20	Buy	10.50	7.67	Nicolas Thorez
02/10/19	Buy	11.30	7.29	Nicolas Thorez

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Recommendation split		Buy	Neutral	Reduce
Our whole coverage	(429)	47%	37%	16%
Liquidity providers coverage	(79)	54%	43%	3%
Research service coverage	(31)	58%	39%	3%
Investment banking services	(15)	53%	40%	7%

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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
<b>Additional material conflicts</b>	
Is ODDO BHF, aware of any additional material conflict of interest?	No
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Have those responsible for the drafting of the present document acquired securities from the issuer concerned by the present financial analysis?	No
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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