

Claranova

Q121 revenue update

Demand held up in Q121

Claranova has reported another strong quarter of revenue growth in Q121, with reported revenue up 29% y-o-y and organic, constant currency revenue up 23% y-o-y. PlanetArt was the driver of growth, with good performance from the original photo-printing business and the acquired personalised gifts business. We have increased our revenue forecasts to reflect Q1 performance but due to the high level of uncertainty caused by COVID-19, we maintain our EBITDA forecasts for FY21 and FY22.

Year end	Revenue (€m)	EBITDA** (€m)	PBT* (€m)	Diluted EPS* (€)	DPS (€)	P/E (x)
06/19	262.3	16.0	12.0	0.25	0.0	24.2
06/20	409.1	17.4	11.3	0.20	0.0	29.8
06/21e	488.0	27.4	21.0	0.30	0.0	20.2
06/22e	557.0	36.8	30.4	0.44	0.0	13.5

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

PlanetArt drives organic growth

Group organic constant currency growth of 23% came mainly from PlanetArt (+32%, 77% of group revenue) with a small contribution from myDevices (+111%, 1% of group revenue), partially offset by a 2% decline for Avanquest (22% of group revenue). PlanetArt saw continued strong demand for photo printing and 50% like-for-like growth in the personalised gifts business. Avanquest has substantially completed the shift from upfront to subscription licensing for its proprietary software products, which has depressed revenue growth and profitability in recent quarters. From this point, growth should start to accelerate and margins improve.

Raising revenue forecasts; maintaining EBITDA

Reflecting the better-than-expected performance of PlanetArt and slightly lower-than-expected growth of Avanquest, we have increased our group revenue forecasts by 1.2% for FY21 and FY22. Taking into account COVID-19-related uncertainty in Claranova's seasonally strongest quarter (CYQ4), we cautiously maintain our EBITDA forecasts.

Valuation: Sum of the parts suggests 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 €15.9 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 €12.12 per share (unchanged since our [last note](#)). Factors that could provide upside to our estimates would be sustained high demand for photo printing, successful adoption of the FreePrints Gift app in the US and returning recent acquisitions to profitability.

Software & comp services

5 November 2020

Price €5.97

Market cap €234m

\$1.17/€1

Net cash (€m) at end FY20 13.9

Shares in issue 39.2m

Free float 91%

Code CLA

Primary exchange Euronext Paris

Secondary exchange N/A

Share price performance



% 1m 3m 12m

Abs (5.5) 4.1 (34.3)

Rel (local) (7.2) 3.2 (22.5)

52-week high/low €9.27 €2.96

Business description

Claranova consists of three businesses focused on mobile and internet technologies: PlanetArt (digital photo printing; personalised gifts), Avanquest (consumer-focused software) and myDevices (internet of things). Its headquarters are in Paris, and it has operations in Europe, the US and Canada.

Next events

AGM 1 December

Q221 revenue update February 2021

Analyst

Katherine Thompson +44 (0)20 3077 5730

tech@edisongroup.com

[Edison profile page](#)

**Claranova is a research client
of Edison Investment
Research Limited**

Quarterly revenue update

Claranova reported 29% y-o-y revenue growth in Q121. On an organic basis, group revenue grew 19% y-o-y; at constant currency this increased to 23%.

Exhibit 1: Quarterly revenue by division

Revenues (€m)	Q121	Q120	y-o-y		y-o-y Constant ccy, organic (%)
			Reported (%)	Organic (%)	
PlanetArt	69	48	43	29	32
Avanquest	20	21	(6)	(6)	(2)
myDevices	1	1	100	100	111
Total	90	70	29	19	23

Source: Claranova

On a divisional basis:

- PlanetArt:** the division saw 32% growth on an organic, constant currency basis (Q120: 30%, Q420: 53%). The high levels of demand experienced in Q420 (which covered much of the lockdown periods in Europe and the US) continued into Q121. With further lockdowns being implemented across Europe, this could support elevated demand in Q221. Personal Creations contributed two months of revenue in Q120 and CafePress only contributed one month of revenue in Q121. The company noted the personalised gifts business grew 50% on a like-for-like basis, which implies that under Claranova's ownership the Personal Creations business is performing well.
- Avanquest:** in Q121, revenue declined 6% y-o-y or 2% on a constant currency basis. The business has been shifting key software lines from upfront to subscription licensing, which has suppressed revenue growth over the last year. In the case of SodaPDF and InPixio this transition is complete, with 82% and 72% of revenue, respectively, from subscription licences, and double-digit revenue growth in Q121. Recurring revenue made up 54% of revenue in Q121 compared to 46% in Q420. The company noted that lower margin, non-strategic activities continued to decline, in particular, sales of third-party, physical software and sales through partner channels.
- myDevices:** divisional revenues doubled year-on-year, representing mainly non-recurring revenue from commercial partners in the US. COVID-19 restrictions have made it difficult for customers in the hospitality sector to install internet-of-things devices but we believe that once restrictions are removed, demand should return.

Outlook and changes to forecasts

Management commented it remains fully focused on maintaining the current positive momentum, despite the recent renewed lockdowns in most countries of operation. CYQ4 is typically the strongest quarter for Claranova, particularly in the PlanetArt division, and it remains to be seen what impact the pandemic will have on demand and logistics (cost and speed of delivery). Despite these uncertainties, management expects to be able to maintain its track record of strong and profitable growth.

We have revised our FY21 and FY22 revenue forecasts to reflect the stronger Q1 performance by Planet Art and slightly lower revenues for Avanquest. Bearing in mind the uncertainties around Q221 trading, we maintain our EBITDA forecasts.

Exhibit 2: Changes to forecasts

€'m	FY21e		Change	y-o-y	FY22e		Change	y-o-y
	Old	New			Old	New		
Revenues	482.4	488.0	1.2%	19.3%	550.6	557.0	1.2%	14.1%
EBITDA	30.6	30.6	0.0%	48.5%	40.0	40.0	0.0%	30.7%
EBITDA margin	6.3%	6.3%	(0.1%)	1.2%	7.3%	7.2%	(0.1%)	0.9%
EBITDA - pre IFRS 16	27.4	27.4	0.0%	57.1%	36.8	36.8	0.0%	34.3%
EBITDA margin - pre IFRS 16	5.7%	5.6%	(0.1%)	1.4%	6.7%	6.6%	(0.1%)	1.0%
Normalised operating profit	25.7	25.7	0.0%	62.7%	35.1	35.1	0.0%	36.6%
Normalised operating profit margin	5.3%	5.3%	(0.1%)	1.4%	6.4%	6.3%	(0.1%)	1.0%
Reported operating profit	19.4	19.4	0.0%	148.7%	31.8	31.8	0.0%	63.9%
Reported operating margin	4.0%	4.0%	0.0%	2.1%	5.8%	5.7%	(0.1%)	1.7%
Normalised PBT	21.0	21.0	0.0%	85.5%	30.4	30.4	0.0%	44.8%
Reported PBT	14.7	14.7	0.0%	344.3%	27.1	27.1	0.0%	84.6%
Normalised net income	11.8	11.8	0.0%	47.4%	17.7	17.7	0.0%	50.2%
Reported net income	6.9	6.9	0.0%	1287.8%	15.2	15.2	0.0%	118.6%
Normalised basic EPS (€)	0.30	0.30	0.0%	47.4%	0.45	0.45	0.0%	50.2%
Normalised diluted EPS (€)	0.30	0.30	0.0%	47.4%	0.44	0.44	0.0%	50.2%
Reported basic EPS (€)	0.18	0.18	0.0%	1287.8%	0.39	0.39	0.0%	118.6%
Net debt/(cash)	(22.1)	(22.6)	2.3%	62.7%	(48.9)	(49.5)	1.1%	118.8%
Divisional revenues								
PlanetArt	377.2	386.4	2.5%	23.1%	432.6	442.9	2.4%	14.6%
Avanquest	99.7	96.0	(3.7%)	6.3%	111.7	107.8	(3.5%)	12.3%
myDevices	5.6	5.6	0.0%	16.7%	6.3	6.3	0.0%	12.5%
Total	482.4	488.0	1.2%	19.3%	550.6	557.0	1.2%	14.1%
Divisional EBITDA								
PlanetArt	19.5	19.5	0.0%	38.1%	27.0	27.0	0.0%	38.5%
Avanquest	11.3	11.3	(0.0%)	57.8%	13.0	13.0	0.0%	15.0%
myDevices	(3.4)	(3.4)	0.0%	(11.5%)	(3.2)	(3.2)	0.0%	(5.9%)
Total EBITDA - pre IFRS 16	27.4	27.4	0.0%	57.1%	36.8	36.8	0.0%	34.3%

Source: Edison Investment Research

Exhibit 3: Financial summary

	€'m	2015	2016	2017	2018	2019	2020	2021e	2022e
30-June		IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
INCOME STATEMENT									
Revenue		93.1	117.4	130.2	161.5	262.3	409.1	488.0	557.0
EBITDA		(6.8)	(9.2)	(5.0)	3.9	16.0	20.6	30.6	40.0
Normalised operating profit		(11.4)	(16.0)	(5.8)	3.4	15.5	15.8	25.7	35.1
Amortisation of acquired intangibles		0.0	0.0	0.0	0.0	(1.5)	(2.4)	(3.3)	(3.3)
Exceptionals		15.6	(10.0)	0.4	(2.4)	(2.9)	(5.6)	(3.0)	0.0
Share-based payments		(0.0)	(0.1)	(4.8)	(7.1)	0.3	0.0	0.0	0.0
Reported operating profit		4.2	(26.1)	(10.1)	(6.1)	11.4	7.8	19.4	31.8
Net Interest		1.1	(1.7)	(0.9)	(0.3)	(3.5)	(4.5)	(4.7)	(4.7)
Joint ventures & associates (post tax)		0.0	(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	0.0
Profit Before Tax (norm)		(10.3)	(17.7)	(6.6)	3.1	12.0	11.3	21.0	30.4
Profit Before Tax (reported)		5.3	(27.8)	(11.0)	(6.4)	(37.7)	3.3	14.7	27.1
Reported tax		(0.6)	(0.8)	(0.4)	(1.8)	(3.7)	(2.1)	(3.4)	(6.2)
Profit After Tax (norm)		(10.9)	(18.5)	(7.0)	2.4	9.2	8.7	16.1	23.4
Profit After Tax (reported)		4.7	(28.6)	(11.4)	(8.2)	(41.4)	1.2	11.3	20.8
Minority interests		(8.1)	0.0	0.3	0.2	0.6	(0.7)	(4.4)	(5.7)
Discontinued operations		(3.2)	0.0	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	8.0	11.8	17.7
Net income (reported)		(6.5)	(28.6)	(11.0)	(7.9)	(40.8)	0.5	6.9	15.2
Basic ave. number of shares outstanding (m)		6	38	38	39	39	39	39	39
EPS - basic normalised (€)		(3.27)	(0.49)	(0.18)	0.07	0.25	0.20	0.30	0.45
EPS - diluted normalised (€)		(3.27)	(0.49)	(0.18)	0.06	0.25	0.20	0.30	0.44
EPS - basic reported (€)		(1.13)	(0.76)	(0.29)	(0.20)	(1.04)	0.01	0.18	0.39
Dividend (€)		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Revenue growth (%)		-	26.1	10.9	24.0	62.4	56.0	19.3	14.1
EBITDA Margin (%)		-7.3	-7.9	-3.8	2.4	6.1	5.0	6.3	7.2
Normalised Operating Margin		-12.3	-13.7	-4.4	2.1	5.9	3.9	5.3	6.3
BALANCE SHEET									
Fixed Assets		15.7	3.0	2.0	1.3	75.1	93.7	96.7	92.7
Intangible Assets		12.0	1.5	0.9	0.5	69.9	70.5	74.1	70.7
Tangible Assets		0.6	0.5	0.3	0.2	1.4	15.7	15.1	14.5
Investments & other		3.1	1.1	0.7	0.6	3.8	7.5	7.5	7.5
Current Assets		48.0	25.5	28.1	79.1	100.9	116.3	129.7	160.7
Stocks		5.9	5.0	3.7	3.7	4.8	14.4	17.2	19.6
Debtors		4.8	4.7	4.3	4.9	11.6	9.9	11.8	13.5
Cash & cash equivalents		30.5	11.1	17.1	65.7	75.4	82.8	91.5	118.4
Other		6.9	4.7	2.9	4.8	9.1	9.2	9.2	9.2
Current Liabilities		(32.0)	(25.3)	(28.1)	(37.2)	(60.5)	(74.6)	(79.7)	(85.8)
Creditors		(26.9)	(24.5)	(26.6)	(35.4)	(54.8)	(64.3)	(69.4)	(75.5)
Tax and social security		(0.3)	(0.0)	(0.3)	(1.7)	(3.0)	(1.2)	(1.2)	(1.2)
Short term borrowings		(4.8)	(0.7)	(1.1)	(0.1)	(2.7)	(6.1)	(6.1)	(6.1)
Other		0.0	0.0	0.0	0.0	0.0	(3.0)	(3.0)	(3.0)
Long Term Liabilities		(2.4)	(1.1)	(0.7)	(29.0)	(52.0)	(73.1)	(73.1)	(73.1)
Long term borrowings		(1.8)	(0.6)	0.0	(28.1)	(49.1)	(62.8)	(62.8)	(62.8)
Other long term liabilities		(0.7)	(0.5)	(0.7)	(0.9)	(2.9)	(10.3)	(10.3)	(10.3)
Net Assets		29.3	2.1	1.3	14.2	63.6	62.3	73.6	94.4
Minority interests		0.0	0.0	(0.1)	(1.8)	(11.0)	(11.7)	(16.1)	(21.7)
Shareholders' equity		29.3	2.1	1.2	12.5	52.6	50.6	57.5	72.7
CASH FLOW									
Op Cash Flow before WC and tax		(6.8)	(9.2)	(5.0)	3.9	16.0	20.6	30.6	40.0
Working capital		0.4	2.5	6.8	7.9	(4.1)	22.5	0.4	2.0
Exceptional & other		(3.8)	(4.3)	(2.2)	(5.7)	(5.2)	(6.3)	(3.0)	0.0
Tax		0.3	(0.3)	(0.0)	(1.2)	(3.8)	(6.8)	(3.4)	(6.2)
Net operating cash flow		(9.8)	(11.3)	(0.4)	5.0	3.0	30.0	24.6	35.8
Capex		(4.4)	(0.9)	(0.2)	(0.1)	(2.5)	(1.2)	(1.0)	(1.0)
Acquisitions/disposals		10.8	(0.4)	3.6	14.2	(13.3)	(31.9)	(7.0)	0.0
Net interest		(0.9)	(0.1)	(0.0)	(0.3)	0.0	(0.5)	(4.7)	(4.7)
Equity financing		33.2	(5.1)	1.9	2.0	(1.4)	0.0	0.0	0.0
Dividends		0.0	2.0	0.0	0.0	0.0	0.0	0.0	0.0
Other		0.1	0.1	0.1	(0.6)	0.0	0.4	(3.2)	(3.2)
Net Cash Flow		29.0	(15.7)	5.0	20.1	(14.2)	(3.2)	8.7	26.9
Opening net debt/(cash)		18.0	(23.9)	(9.8)	(16.0)	(37.5)	(23.6)	(13.9)	(22.6)
FX		0.1	(0.1)	(0.6)	0.4	0.3	(0.8)	0.0	0.0
Other non-cash movements		12.6	1.7	1.8	1.1	0.0	(5.7)	0.0	0.0
Closing net debt/(cash)		(23.9)	(9.8)	(16.0)	(37.5)	(23.6)	(13.9)	(22.6)	(49.5)

Source: Claranova, Edison Investment Research

General disclaimer and copyright

This report has been commissioned by Claranova and prepared and issued by Edison, in consideration of a fee payable by Claranova. Edison Investment Research standard fees are £49,500 pa for the production and broad dissemination of a detailed note (Outlook) following by regular (typically quarterly) update notes. Fees are paid upfront in cash without recourse. Edison may seek additional fees for the provision of roadshows and related IR services for the client but does not get remunerated for any investment banking services. We never take payment in stock, options or warrants for any of our services.

Accuracy of content: All information used in the publication of this report has been compiled from publicly available sources that are believed to be reliable, however we do not guarantee the accuracy or completeness of this report and have not sought for this information to be independently verified. Opinions contained in this report represent those of the research department of Edison at the time of publication. Forward-looking information or statements in this report contain information that is based on assumptions, forecasts of future results, estimates of amounts not yet determinable, and therefore involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of their subject matter to be materially different from current expectations.

Exclusion of Liability: To the fullest extent allowed by law, Edison shall not be liable for any direct, indirect or consequential losses, loss of profits, damages, costs or expenses incurred or suffered by you arising out of or in connection with the access to, use of or reliance on any information contained on this note.

No personalised advice: The information that we provide should not be construed in any manner whatsoever as, personalised advice. Also, the information provided by us should not be construed by any subscriber or prospective subscriber as Edison's solicitation to effect, or attempt to effect, any transaction in a security. The securities described in the report may not be eligible for sale in all jurisdictions or to certain categories of investors.

Investment in securities mentioned: Edison has a restrictive policy relating to personal dealing and conflicts of interest. Edison Group does not conduct any investment business and, accordingly, does not itself hold any positions in the securities mentioned in this report. However, the respective directors, officers, employees and contractors of Edison may have a position in any or related securities mentioned in this report, subject to Edison's policies on personal dealing and conflicts of interest.

Copyright: Copyright 2020 Edison Investment Research Limited (Edison).

Australia

Edison Investment Research Pty Ltd (Edison AU) is the Australian subsidiary of Edison. Edison AU is a Corporate Authorised Representative (1252501) of Crown Wealth Group Pty Ltd who holds an Australian Financial Services Licence (Number: 494274). This research is issued in Australia by Edison AU and any access to it, is intended only for "wholesale clients" within the meaning of the Corporations Act 2001 of Australia. Any advice given by Edison AU is general advice only and does not take into account your personal circumstances, needs or objectives. You should, before acting on this advice, consider the appropriateness of the advice, having regard to your objectives, financial situation and needs. If our advice relates to the acquisition, or possible acquisition, of a particular financial product you should read any relevant Product Disclosure Statement or like instrument.

New Zealand

The research in this document is intended for New Zealand resident professional financial advisers or brokers (for use in their roles as financial advisers or brokers) and habitual investors who are "wholesale clients" for the purpose of the Financial Advisers Act 2008 (FAA) (as described in sections 5(c) (1)(a), (b) and (c) of the FAA). This is not a solicitation or inducement to buy, sell, subscribe, or underwrite any securities mentioned or in the topic of this document. For the purpose of the FAA, the content of this report is of a general nature, is intended as a source of general information only and is not intended to constitute a recommendation or opinion in relation to acquiring or disposing (including refraining from acquiring or disposing) of securities. The distribution of this document is not a "personalised service" and, to the extent that it contains any financial advice, is intended only as a "class service" provided by Edison within the meaning of the FAA (i.e. without taking into account the particular financial situation or goals of any person). As such, it should not be relied upon in making an investment decision.

United Kingdom

This document is prepared and provided by Edison for information purposes only and should not be construed as an offer or solicitation for investment in any securities mentioned or in the topic of this document. A marketing communication under FCA Rules, this document has not been prepared in accordance with the legal requirements designed to promote the independence of investment research and is not subject to any prohibition on dealing ahead of the dissemination of investment research.

This Communication is being distributed in the United Kingdom and is directed only at (i) persons having professional experience in matters relating to investments, i.e. investment professionals within the meaning of Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "FPO") (ii) high net-worth companies, unincorporated associations or other bodies within the meaning of Article 49 of the FPO and (iii) persons to whom it is otherwise lawful to distribute it. The investment or investment activity to which this document relates is available only to such persons. It is not intended that this document be distributed or passed on, directly or indirectly, to any other class of persons and in any event and under no circumstances should persons of any other description rely on or act upon the contents of this document.

This Communication is being supplied to you solely for your information and may not be reproduced by, further distributed to or published in whole or in part by, any other person.

United States

Edison relies upon the "publishers' exclusion" from the definition of investment adviser under Section 202(a)(11) of the Investment Advisers Act of 1940 and corresponding state securities laws. This report is a bona fide publication of general and regular circulation offering impersonal investment-related advice, not tailored to a specific investment portfolio or the needs of current and/or prospective subscribers. As such, Edison does not offer or provide personal advice and the research provided is for informational purposes only. No mention of a particular security in this report constitutes a recommendation to buy, sell or hold that or any security, or that any particular security, portfolio of securities, transaction or investment strategy is suitable for any specific person.

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
1185 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