

Q1 2020/21 SALES + COMPANY CONTACT

A GOOD Q1 TO START OFF FY 2020/21

Q1 2020/21 sales rose a strong +29% (+23% lfi) to €90m, slightly (+5%) above our estimate. PlanetArt was more than ever the driver of growth (+43%, +32 lfi) with sales of €69m vs. €66m expected, bolstered by the historical print activities as well as the diversification into personalized gifts. Avanquest was down (-6%, -2% lfi) with sales of €19.6m (vs. €21.4m expected). However sales appeared to be of better quality, with an ever increasing contribution of recurring revenues (+8 pts to 54% of sales). This announcement lends support to our full year forecasts. Target price adjusted to €9.0 vs. €9.2. Buy opinion maintained.

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Q1 2020/21 sales of €90m, up +29% (+23% lfi)

Claranova recorded a dynamic Q1 2020/21 with sales up +29% (+23% lfi) to €90m. Overall sales were in line with our estimate, even if on the division level PlanetArt and myDevices did a little better than expected while Avanquest was down slightly.

CLARANOVA : Q1 2020/21 reported sales vs. estimates

Claranova in €m (06/30)	Q1 2019/20 published	Q1 2020/21 published	IS est.	%chge
Avanquest (Software) Sales	20,8	19,6	21,4	-8%
<i>chg.</i>	<i>+23%</i>	<i>-6%</i>	<i>+3%</i>	
<i>chg. at constant scope</i>	<i>+19%</i>	<i>-2%</i>		
PlanetArt Sales	48,5	69,2	65,7	+5%
<i>chg.</i>	<i>+60%</i>	<i>+43%</i>	<i>+35%</i>	
<i>chg. at constant scope</i>	<i>+30%</i>	<i>+32%</i>		
myDevices (IoT) Sales	0,5	1,0	0,5	+87%
<i>chg.</i>	<i>-39%</i>	<i>+100%</i>	<i>+7%</i>	
<i>chg. at constant scope</i>	<i>-42%</i>	<i>+111%</i>		
Total Sales	69,8	89,8	87,6	+2,5%
<i>chg.</i>	<i>+45%</i>	<i>+29%</i>	<i>+25%</i>	
<i>chg. at constant scope</i>	<i>+33%</i>	<i>+23%</i>		

Source : Claranova, Invest Securities

-6% drop in Avanquest's Q1 sales to €20m: a disappointment that should be put into perspective

The Software division saw Q1 sales fall -6% (-2% on a constant exchange rate basis) to €19.6m vs. our estimate for €21.4m. Nevertheless, this decline was attributable to non-core business activities (physical sales, third party software, sales through distributors) that generate lower margins. In contrast, sales of proprietary software through the SAAS format (SodaPDF and inPixio) continued to perform well, lifting the contribution of recurring revenues to 54% of total sales (vs. 46% as of end June 2020).

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in € / share	2020/21e	2021/22e	2022/23e
Adjusted EPS	0,31	0,56	0,83
<i>chg.</i>	<i>+83%</i>	<i>+82%</i>	<i>+48%</i>
<i>estimates chg.</i>	<i>-3,5%</i>	<i>-9,0%</i>	<i>-7,5%</i>
ended 30/06	2020/21e	2021/22e	2022/23e
PE	19,5x	10,7x	7,2x
EV/Sales	0,41x	0,31x	0,22x
EV/EBITDA	7,7x	4,3x	2,5x
EV/EBITA	8,8x	4,8x	2,6x
FCF yield*	9,5%	17,2%	30,2%
Div. yield (%)	n.s.	n.s.	n.s.

* After tax op. FCF before WCR

key points	
Share price (€)	5,97
Number of Shares (m)	39,4
Market cap. (€m)	219
Free float (€m)	179
ISIN	FR0013426004
Ticker	CLA-FR
DJ Sector	Technology Services

	1m	3m	Ytd
Absolute perf.	-11,9%	-3,0%	-30,3%
Relative perf.	-9,7%	-1,5%	-16,0%

Source : Factset, Invest Securities estimates

PlanetArt: the driver of group growth

PlanetArt's Q1 sales soared by +43% (+32% lfl) to €69m, +5% higher than our estimate for €65.7m. The group does not disclose the breakdown of its sales. However, we can estimate that the print business (historical scope of consolidation) performed well in general (+30% for the mobile segment) with an estimated contribution above €50m. The diversification into personalized gifts following the acquisition of the assets of Personal Creations (August 2019) and CafePress (September 2020) is beginning to make a significant contribution to sales (€17m est.). In Q1, PlanetArt launched in the United States the FreePrints Gifts application, which extends the mobile strategy from print to the distribution of personalized products.

myDevices: doubling in sales (€1m) but a still limited contribution

myDevices sales doubled in Q1 to €1m, principally as a result of non-recurring revenues (upfront for exclusivity). This portion of the upfront, which was greater than expected over the period, explains the difference between reported sales and our estimate for €0.5m.

A few points that need watching but a Q1 that supports our FY 2020/21 estimates

- **-4 pts of growth due to exchange rates in Q1: 61% of sales in US\$ or CA\$**

The exchange rate effect reduced growth in Q1 by -4 pts, principally due to the group's exposure to North America (61% of sales in US\$ and CA\$) and to a lesser extent the UK (PlanetArt sales). The negative trend in the €/€ and €/£ parities over the quarter led to a conversion effect on sales in the consolidated accounts in €. Nevertheless, the impact on profitability is more limited to the extent that Claranova disposes of a natural hedge thanks to a cost base in the same currency as the markets being addressed.

- **Q1 figures that support our estimates: marginal revision to take into account the €/€ rate**

Management is cautiously optimistic given the current situation, which limits visibility. Nevertheless, the good performance recorded in Q1 lends support to our full year estimates. We have adjusted slightly downward (-1% to -2%) our forecasts for sales and EBITDA for the current year as well as the next two years in order to take into account the €/€ and €/£ trends.

Buy opinion maintained with a target price revised to €9.0 vs. €9.2

The adjustments in our forecast combined with the updating of our discount rate has led us to revise our target price to €9.0 vs. the previous €9.2.

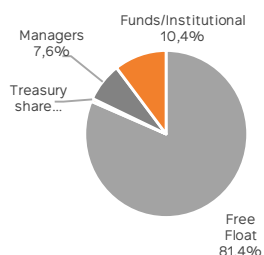
Given the upside potential (+51%), we are maintaining our Buy opinion.

INVESTMENT CASE

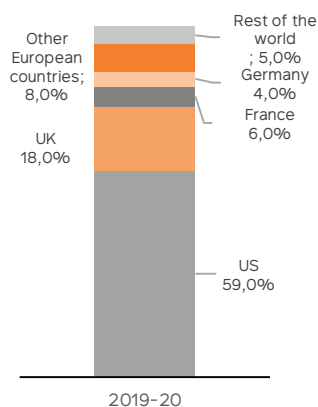
Under the impetus of Claranova's new management, a strategy has been developed since 2013 involving a focus on three businesses: 1) PlanetArt in digital photo printing (web and mobile), 2) myDevices in the Internet of Things and 3) Avanquest in software distribution. At the same time, management has proceeded with the sale of non-core activities and undertaken far-reaching restructuring. The new group is now restructured and fully operational, as seen by an improvement in profitability and strong cash generation in order to finance growth.

FINANCIALS

Shareholders



Sales breakdown



Next events

01/12/2020: AGM

Share information	2016/17	2017/18	2018/19	2019/20	2020/21e	2021/22e	2022/23e
Published EPS (€)	-0,29	-0,21	-1,04	0,01	0,26	0,50	0,76
Adjusted EPS (€)	-0,16	0,07	0,19	0,17	0,31	0,56	0,83
<i>Diff. I.S. vs Consensus</i>	<i>n.s.</i>	<i>n.s.</i>	<i>+4,4%</i>	<i>n.s.</i>	<i>+11,6%</i>	<i>+26,8%</i>	<i>n.d.</i>
Dividend	0,00	0,00	0,00	0,00	0,00	0,00	0,00

Valuation ratios	2016/17	2017/18	2018/19	2019/20	2020/21e	2021/22e	2022/23e
P/E	n.s.	102,3x	42,2x	40,6x	19,5x	10,7x	7,2x
EV/Sales	0,57x	1,42x	1,11x	0,60x	0,41x	0,31x	0,22x
VE/EBITDA	n.s.	60,2x	18,2x	14,2x	7,7x	4,3x	2,5x
VE/EBITA	n.s.	69,4x	20,8x	18,6x	8,8x	4,8x	2,6x
Op. FCF bef. WCR yield	n.s.	1,2%	3,3%	5,0%	9,5%	17,2%	30,2%
Op. FCF yield	2,3%	4,6%	1,9%	14,1%	10,5%	19,7%	32,8%
Div. yield (%)	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.

NB : valuation based on annual average price for past exercise

Entreprise Value (€m)	2016/17	2017/18	2018/19	2019/20	2020/21e	2021/22e	2022/23e
Share price in €	2,43	6,93	7,87	6,81	5,97	5,97	5,97
Market cap.	90,9	265,1	291,1	252,0	221,0	221,0	221,0
Net Debt	-16,0	-37,5	-23,5	-13,9	-27,4	-60,0	-104,0
Minorities	0,1	1,8	11,0	11,7	14,7	19,7	27,1
Provisions/ near-debt	0,2	0,2	15,1	0,7	0,7	0,7	0,7
+/- Adjustments	-0,7	-0,6	-3,0	-3,1	-3,1	-3,1	-3,1
Entreprise Value (EV)	74,5	228,9	290,7	247,4	205,9	178,3	141,8

Income statement (€m)	2016/17	2017/18	2018/19	2019/20	2020/21e	2021/22e	2022/23e
Sales	130,2	161,5	262,3	409,1	503,0	584,7	658,3
<i>chg.</i>	<i>+10,9%</i>	<i>+24,0%</i>	<i>+62,4%</i>	<i>+56,0%</i>	<i>+23,0%</i>	<i>+16,2%</i>	<i>+12,6%</i>
EBITDA	-4,9	3,8	16,0	17,4	26,8	41,1	57,5
EBITA	-5,8	3,3	14,0	13,3	23,3	37,5	53,7
<i>chg.</i>	<i>n.s.</i>	<i>n.s.</i>	<i>+324%</i>	<i>-5%</i>	<i>+75%</i>	<i>+60%</i>	<i>+43%</i>
EBIT	-10,1	-6,1	11,4	7,7	21,8	36,5	52,7
Financial result	-0,9	-0,3	-49,3	-4,5	-3,6	-3,3	-3,0
Corp. tax	-0,4	-1,8	-3,7	-2,1	-4,8	-8,3	-12,4
Minorities+affiliates	0,3	0,2	0,6	-0,7	-3,0	-5,0	-7,5
Net attributable profit	-11,0	-7,9	-40,9	0,5	10,4	19,9	29,8
Adjusted net att. profit	-5,8	2,6	6,9	6,2	11,5	20,7	30,5
<i>chg.</i>	<i>n.s.</i>	<i>n.s.</i>	<i>+168%</i>	<i>-10%</i>	<i>+85%</i>	<i>+80%</i>	<i>+48%</i>

Cash flow statement (€m)	2016/17	2017/18	2018/19	2019/20	2020/21e	2021/22e	2022/23e
EBITDA ajusted	-4,9	3,8	16,0	17,4	26,8	41,1	57,5
Theoretical Tax / EBITA	0,0	-1,0	-3,9	-3,7	-6,2	-9,4	-13,4
Capex	-0,2	-0,2	-2,5	-1,2	-1,0	-1,1	-1,3
Operating FCF bef. WCR	-5,1	2,6	9,6	12,5	19,6	30,6	42,8
Change in WCR	6,8	7,9	-4,1	22,5	2,1	4,5	3,6
Operating FCF	1,7	10,5	5,5	35,0	21,7	35,1	46,4
Acquisitions/disposals	3,6	14,2	-13,3	-31,9	-5,0	0,0	0,0
Capital increase/decrease	1,9	2,0	-1,4	0,0	0,0	0,0	0,0
Dividends paid	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Other adjustments	-1,0	-5,2	-4,8	-12,7	-3,2	-2,6	-2,4
Published FreeCash Flow	6,2	21,6	-14,0	-9,6	13,5	32,5	44,0

Balance Sheet (€m)	2016/17	2017/18	2018/19	2019/20	2020/21e	2021/22e	2022/23e
Assets	2,0	1,3	75,2	93,8	95,7	92,6	89,4
Intangible assets/GW	0,0	0,0	63,0	61,7	66,7	66,7	66,7
WCR	-16,5	-24,4	-20,0	-34,5	-36,6	-41,1	-44,7
Group equity capital	1,2	12,5	52,6	50,6	61,0	80,9	110,7
Minority shareholders	0,1	1,8	11,0	11,7	14,7	19,7	27,1
Provisions	0,2	0,2	0,6	0,7	0,7	0,7	0,7
Others	0,0	0,0	14,5	10,2	10,2	10,2	10,2
Net financial debt adjuste	-16,0	-37,5	-23,5	-13,9	-27,4	-60,0	-104,0

Financial ratios	2016/17	2017/18	2018/19	2019/20	2020/21e	2021/22e	2022/23e
EBITDA margin	n.s.	2,4%	6,1%	4,3%	5,3%	7,0%	8,7%
EBITA margin	n.s.	2,0%	5,3%	3,3%	4,6%	6,4%	8,2%
Adjusted Net Profit/Sales	n.s.	1,6%	2,6%	1,5%	2,3%	3,5%	4,6%
ROCE	n.s.	-14,3%	25,4%	22,5%	39,5%	72,7%	120,1%
ROE adjusted	n.s.	20,5%	13,1%	12,3%	18,8%	25,5%	27,6%
Gearing	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.
ND/EBITDA (in x)	n.s.	-9,9x	-1,5x	-0,8x	-1,0x	-1,5x	-1,8x

Source : company, Invest Securities Estimates

SWOT ANALYSIS

STRENGTHS

- ❑ Management's good track record.
- ❑ A leading application in photo printing in the US and the UK with.
- ❑ myDevices, in a start-up phase, is well positioned to become a benchmark IoT platform.

OPPORTUNITIES

- ❑ Claranova had unused tax loss carryforwards.

WEAKNESSES

- ❑ The €/€ and €/£ trend has an impact on the translation of sales in the consolidated accounts in €. However, with a cost base in \$, the impact on EBITDA is minor.

THREATS

- ❑ A still early stage IoT market on which numerous players are present.

SHARE PRICE CHANGE FOR 5 YEARS



DETECTION OF CONFLICTS OF INTEREST

	Corporate Finance	Treasury stocks holding	Prior communication to company	Analyst's personal interest	Liquidity contract	Listing Sponsor	Research Contract
Claranova	No	No	No	No	No	No	Yes

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