


BUY

TARGET PRICE : 9,5€ (vs 9€)  +36%

## H1 2020/21 SALES + COMPANY CONTACT

## RECORD PROFITABILITY EXPECTED IN H1 AFTER GOOD SALES

In a context made complicated by the health crisis and sizeable swings in exchange rates, growth remained strong in H1, with sales up +19% (+17% lfl) to €278m, in line with our estimate. H1 was marked by tensions on the logistical chains that led PlanetArt to reduce its marketing investments in response to its inability to assure deliveries under satisfactory conditions. This fall in spending should lead to record profitability in H1, with management expecting EBITDA to almost double to around €22m. We have raised our target price to €9.5 (vs. €9.0) and are maintaining our BUY opinion.

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### H1 2020/21 sales of €278m, up +19% (+17% lfl)

Despite a context made complicated by the health crisis and sizeable swings in exchange rates, H1 2020/21 sales rose +19% (+17% lfl) to €278m, in line overall with our estimate (€282m expected). By division, PlanetArt was exactly in line (€234m, +26% and +23% lfl) while sales at Avanquest (€42m vs. €47m expected) and myDevices (€2.2m vs. €2.7m expected) were slightly lower than expected.

### CLARANOVA : H1 2020/21 reported sales vs. estimates

Claranova in €m (06/30)	1S19/20 published	1S20/21 published	att. IS % chge	2020/21e att. IS
Software Sales	45,9	42,0	47,0 -11%	96,1
chg.	+14%	-9%	+2%	+6%
chg. at cst. exchange rate		-4%		
PlanetArt Sales	186,2	234,0	233,4 +0%	390,7
chg.	+90%	+26%	+25%	+24%
chg. at cst. scope and exchange rate	+22%	+23%		
myDevices (IoT) Sales	2,2	2,2	2,7 -17%	6,3
chg.	+28%	-3%	+20%	+33%
chg. at cst. exchange rate		+4%		
<b>Total Sales</b>	<b>234,3</b>	<b>278,2</b>	<b>283,0 -2%</b>	<b>493,1</b>
chg.	+68%	+19%	+21%	+21%
chg. at cst. scope and exchange rate	+19%	+17%		

Source : Claranova, Invest Securities

### PlanetArt: double digit growth despite lower marketing spending

After having announced soaring sales in Q1 up +43% (+32% lfl) to €69m, PlanetArt's business deaccelerated in Q2, even if growth for all of H1 nevertheless equaled +26% (+23% lfl) to €234m. Over the year-end period, management was obliged to adapt its growth strategy by reducing its marketing investments in response to tensions on the logistics chains linked to the boom in e-commerce (cf. Invest Tech February 2021) accelerated by the health crisis.

in € / share	2020/21e	2021/22e	2022/23e
Adjusted EPS	0,30	0,52	0,81
chg.	+77%	+75%	+57%
estimates chg.	+3,8%	-2,6%	-1,6%
ended 30/06	2020/21e	2021/22e	2022/23e
PE	23,6x	13,5x	8,6x
EV/Sales	0,51x	0,39x	0,29x
EV/EBITDA	9,4x	5,7x	3,2x
EV/EBITA	10,9x	6,3x	3,5x
FCF yield*	7,8%	13,1%	23,0%
Div. yield (%)	n.s.	n.s.	n.s.

\* After tax op. FCF before WCR

key points	...
Share price (€)	7,00
Number of Shares (m)	39,7
Market cap. (€m)	270
Free float (€m)	220
ISIN	FR0013426004
Ticker	CLA-FR
DJ Sector	Technology Services

	1m	3m	Ytd
Absolute perf.	-4,6%	+10,7%	+1,3%
Relative perf.	-5,7%	-8,5%	-2,8%

Source : Factset, Invest Securities estimates

This shift in strategy through a reduction in marketing spending should lead to a significant improvement in the division's profitability for all of H1 (cf. below).

### Avanquest: lower but higher quality sales

Avanquest's lower than expected H1 2020/21 sales (€42m vs. €47m expected, -9% and -4% on a constant exchange rate basis) can be largely explained by the fall in physical sales, which were directly affected by store closings due to the health crisis. Additionally, the company is continuing to privilege direct sales of its proprietary software in the form of subscriptions, which generate higher margins. In this regard, the company has indicated that the contribution of recurrent revenues reached 56% in H1 vs. 46% in H1 2019/20.

### EBITDA expected to double in H1 to around €22m

After reducing its marketing investments in Q4, the group should see a significant increase in its profitability, leading management to speak of an almost doubling in its profitability in H1. Based on this forecast, H1 2020/21 EBITDA should be close to €22m (vs. H1 2019/20 EBITDA of €11.4m).

Our initial estimate (€20m), which anticipated a reduction in marketing investments but probably less than that effectively seen, was relatively close to management's guidance. We would additionally note that our estimates for the entire year reflect a very strong contribution to EBITDA in H1 given the cyclical nature of several of PlanetArt's activities (web to print and Personal Creations).

In the end, we have marginally adjusted our estimates for the currently year and the following years. These changes principally involve Avanquest Software, with forecast sales lowered by around -10% along with a smaller reduction in EBITDA (-5%). Our detailed forecasts are set out in the following table.

#### CLARANOVA: 2020/21 to 2022/23 forecasts

Claranova in €m (06/30)	2020/21e			2021/22e			2022/23e		
	prev.	new	% chg	prev.	new	% chg	prev.	new	% chg
PlanetArt Sales	396	388	-2%	462	451	-2%	515	509	-1%
<i>chg.</i>	26%	23%		17%	16%		12%	13%	
Software Sales	100	90	-10%	114	102	-10%	130	117	-10%
<i>chg.</i>	11%	0%		14%	13%		15%	14%	
IoT Sales	6,3	6,3	+0%	8,8	8,8	+0%	12,5	12,5	+0%
<i>chg.</i>	33%	33%		38%	38%		42%	42%	
<b>Total Sales</b>	<b>503</b>	<b>485</b>	<b>-4%</b>	<b>585</b>	<b>562</b>	<b>-4%</b>	<b>658</b>	<b>638</b>	<b>-3%</b>
<i>chg.</i>	+23%	+18%		+16%	+16%		+13%	+14%	
EBITDA PlanetArt	19,4	19,2	-1%	28,0	26,4	-6%	36,7	36,3	-1%
<i>EBITDA margin</i>	+4,9%	+4,9%		+6,1%	+5,9%		+7,1%	+7,1%	
EBITDA Software	10,0	9,5	-5%	13,7	13,0	-5%	18,2	17,8	-2%
<i>EBITDA margin</i>	+10,0%	+10,5%		+12,0%	+12,8%		+14,0%	+15,2%	
EBITDA IoT	-2,6	-2,6	+0%	-0,7	-0,7	+0%	2,6	2,6	+0%
<i>EBITDA margin</i>	-42%	-42%		-7%	-7%		+21%	+21%	
<b>Total EBITDA</b>	<b>26,8</b>	<b>26,1</b>	<b>-3%</b>	<b>41,1</b>	<b>38,8</b>	<b>-6%</b>	<b>57,5</b>	<b>56,6</b>	<b>-1%</b>
<i>EBITDA margin</i>	+5,3%	+5,4%		+7,0%	+6,9%		+8,7%	+8,9%	

Source : Invest Securities

We would note that our forecasts currently do not include the possible transformation of the assistance from the US government (Paycheck Protection Program) designed to support companies in response to the Covid-19 pandemic into grants. In total, Claranova's US subsidiaries have received €5m in loans. As of the end of FY 2019/20, only €0.5m has already been reclassified as grants. The remaining €4.5m could benefit from the same treatment in the current year, thereby boosting the FY 2020/21 results.

## BUY opinion maintained with a target price raised to €9.5 vs. €9.0

The revisions made in our forecasts combined with the updating of our discount rate have led us to lift our target price to €9.5 vs. €9.0 previously, keeping in mind that this target reflects a -20% discount to our NAV. Given the upside potential (+36%), we are maintaining our BUY opinion.

### CLARANOVA: sum of the parts valuation

SOP	Sales		EBITDA		Valuation methods	V/Sales 20/21:V/Sales 21/22		%	Valuation		
	20/21e	21/22e	20/21e	21/22e		Induced	Induced		en €m	€/share	% SOP
PlanetArt Print	264	294	25,3	26,6	DCF Valuation	1,4x	1,2x	92%	333	8,9	75%
Personal Creations	89	106	-1,7	2,0	Acquisition price (Aug. 19)	0,2x	0,2x	92%	15	0,4	3%
CafePress	36	51	-4,4	-2,2	Acquisition price est. (sep)	0,1x	0,1x	92%	5	0,1	1%
<b>PlanetArt</b>	<b>388</b>	<b>451</b>	<b>19,2</b>	<b>26,4</b>	Average valuation	<b>1,0x</b>	<b>0,8x</b>	<b>92%</b>	<b>353</b>	<b>9,5</b>	<b>80%</b>
IoT	6,3	8,8	-2,6	-0,7	val. based on Jan. 2019 K i	5,9x	4,3x	49%	18	0,5	4%
<b>Avanquest Software</b>	<b>90</b>	<b>102</b>	<b>9,5</b>	<b>13,0</b>	DCF Valuation	<b>0,7x</b>	<b>0,6x</b>	<b>41%</b>	<b>60</b>	<b>1,6</b>	<b>13%</b>
<b>Total EV</b>	<b>485</b>	<b>562</b>	<b>26,1</b>	<b>38,8</b>		<b>0,9x</b>	<b>0,8x</b>		<b>431</b>	<b>11,5</b>	<b>97%</b>
Net cash					End of FY 2019/20				13,9	0,4	3%
CafePress paiement aquisition					Transaction value est.				-5,0	-0,1	-1%
Stock-Options + BSA myDevices & Claranova					Strike				4,6	0,1	1%
Provisions					End of FY 2019/20				-0,7	0,0	0%
<b>EV adjustments</b>									<b>13</b>	<b>0,3</b>	<b>3%</b>
<b>Valuation</b>					<b>Number of shares (m)</b>		<b>37</b>		<b>444</b>	<b>11,9</b>	<b>100%</b>
					<b>Target price after discount</b>		<b>-20%</b>			<b>9,5</b>	

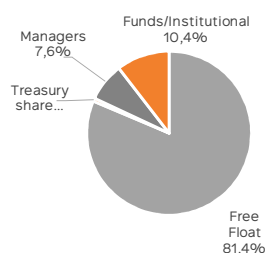
Source : Invest Securities

## INVESTMENT CASE

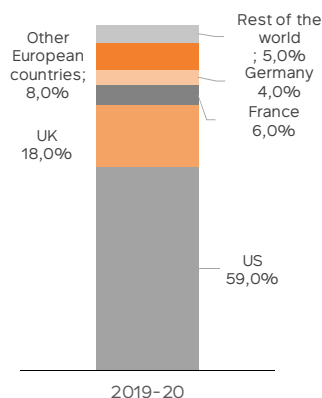
Under the impetus of Claranova's new management, a strategy has been developed since 2013 involving a focus on three businesses: 1) PlanetArt in digital photo printing (web and mobile), 2) myDevices in the Internet of Things and 3) Avanquest in software distribution. At the same time, management has 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

31/03/2021: H1 Results  
11/05/2021: Q3 Sales  
04/08/2021: 2020/21 Sales  
20/10/2021: 2020/21 Results  
09/11/2021: Q1 2021/22 Sales  
01/12/2021: 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	0,25	0,47	0,74
<b>Adjusted EPS (€)</b>	<b>-0,16</b>	<b>0,07</b>	<b>0,19</b>	<b>0,17</b>	<b>0,30</b>	<b>0,52</b>	<b>0,81</b>
<i>Diff. I.S. vs Consensus</i>	<i>n.s.</i>	<i>n.s.</i>	<i>+4,4%</i>	<i>n.s.</i>	<i>-2,7%</i>	<i>+17,8%</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	23,6x	13,5x	8,6x
EV/Sales	0,57x	1,42x	1,11x	0,60x	0,51x	0,39x	0,29x
VE/EBITDA	n.s.	60,2x	18,2x	14,2x	9,4x	5,7x	3,2x
VE/EBITA	n.s.	69,4x	20,8x	18,6x	10,9x	6,3x	3,5x
Op. FCF bef. WCR yield	n.s.	1,2%	3,3%	5,0%	7,8%	13,1%	23,0%
Op. FCF yield	2,3%	4,6%	1,9%	14,1%	8,1%	15,1%	25,1%
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

Enterprise 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	7,00	7,00	7,00
Market cap.	90,9	265,1	291,1	252,0	259,2	259,2	259,2
Net Debt	-16,0	-37,5	-23,5	-13,9	-25,6	-56,1	-99,7
Minorities	0,1	1,8	11,0	11,7	14,6	19,3	26,6
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
<b>Enterprise Value (EV)</b>	<b>74,5</b>	<b>228,9</b>	<b>290,7</b>	<b>247,4</b>	<b>245,8</b>	<b>219,9</b>	<b>183,6</b>

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	484,6	562,0	638,4
<i>chg.</i>	<i>+10,9%</i>	<i>+24,0%</i>	<i>+62,4%</i>	<i>+56,0%</i>	<i>+18,5%</i>	<i>+16,0%</i>	<i>+13,6%</i>
EBITDA	-4,9	3,8	16,0	17,4	26,1	38,8	56,6
<b>EBITA</b>	<b>-5,8</b>	<b>3,3</b>	<b>14,0</b>	<b>13,3</b>	<b>22,6</b>	<b>35,2</b>	<b>52,8</b>
<i>chg.</i>	<i>n.s.</i>	<i>n.s.</i>	<i>+324%</i>	<i>-5%</i>	<i>+70%</i>	<i>+55%</i>	<i>+50%</i>
EBIT	-10,1	-6,1	11,4	7,7	21,1	34,2	51,8
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	-4,6	-7,7	-12,2
Minorities+affiliates	0,3	0,2	0,6	-0,7	-2,9	-4,7	-7,3
Net attributable profit	-11,0	-7,9	-40,9	0,5	10,0	18,4	29,3
<b>Adjusted net att. profit</b>	<b>-5,8</b>	<b>2,6</b>	<b>6,9</b>	<b>6,2</b>	<b>11,1</b>	<b>19,2</b>	<b>30,0</b>
<i>chg.</i>	<i>n.s.</i>	<i>n.s.</i>	<i>+168%</i>	<i>-10%</i>	<i>+79%</i>	<i>+73%</i>	<i>+57%</i>

Cash flow statement (€m)	2016/17	2017/18	2018/19	2019/20	2020/21e	2021/22e	2022/23e
EBITDA adjusted	-4,9	3,8	16,0	17,4	26,1	38,8	56,6
Theoretical Tax / EBITA	0,0	-1,0	-3,9	-3,7	-6,0	-8,8	-13,2
Capex	-0,2	-0,2	-2,5	-1,2	-1,0	-1,1	-1,3
<b>Operating FCF bef. WCR</b>	<b>-5,1</b>	<b>2,6</b>	<b>9,6</b>	<b>12,5</b>	<b>19,1</b>	<b>28,9</b>	<b>42,2</b>
Change in WCR	6,8	7,9	-4,1	22,5	0,7	4,3	3,8
<b>Operating FCF</b>	<b>1,7</b>	<b>10,5</b>	<b>5,5</b>	<b>35,0</b>	<b>19,8</b>	<b>33,2</b>	<b>46,0</b>
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
<b>Published FreeCash Flow</b>	<b>6,2</b>	<b>21,6</b>	<b>-14,0</b>	<b>-9,6</b>	<b>11,7</b>	<b>30,5</b>	<b>43,6</b>

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	-35,2	-39,5	-43,4
Group equity capital	1,2	12,5	52,6	50,6	60,6	79,0	108,3
Minority shareholders	0,1	1,8	11,0	11,7	14,6	19,3	26,6
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
<b>Net financial debt adjusted</b>	<b>-16,0</b>	<b>-37,5</b>	<b>-23,5</b>	<b>-13,9</b>	<b>-25,6</b>	<b>-56,1</b>	<b>-99,7</b>

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%	5,4%	6,9%	8,9%
EBITA margin	n.s.	2,0%	5,3%	3,3%	4,7%	6,3%	8,3%
Adjusted Net Profit/Sales	n.s.	1,6%	2,6%	1,5%	2,3%	3,4%	4,7%
ROCE	n.s.	-14,3%	25,4%	22,5%	37,4%	66,2%	114,7%
ROE adjusted	n.s.	20,5%	13,1%	12,3%	18,3%	24,3%	27,7%
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	-1,4x	-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
<b>Claranova</b>	No	No	No	No	No	No	Yes

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