

Claranova

H121 results

Profitable growth in H121

Claranova made good progress in H121, with organic constant currency revenue growth of 17% y-o-y and EBITDA growth of 106% y-o-y. Recent acquisitions made by PlanetArt are progressing well and the division is seeing growing demand in its target markets. Avanquest has completed most of the shift to subscription licensing, positively affecting margins. We have revised our forecasts to reflect stronger growth and profitability for PlanetArt.

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	33.9
06/20	409.1	17.4	11.3	0.20	0.0	41.7
06/21e	479.2	40.0	29.2	0.46	0.0	18.3
06/22e	564.1	45.0	35.4	0.53	0.0	15.8

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

PlanetArt drives doubling of EBITDA in H121

Claranova reported H121 revenue of €277.8m, up 25% y-o-y (constant currency), or 17% on an organic, constant currency basis. H121 EBITDA (pre-IFRS 16) of €23.1m was up 106% y-o-y and net income after minority interest (MI) increased 587% y-o-y. Cash generation was strong, with net cash increasing 70% y-o-y. The group EBITDA margin was 3.5pp higher y-o-y at 8.3%, with a 2.9pp increase for PlanetArt to 8.3% and a 3.5pp increase for Avanquest to 11.5%.

FY23 growth targets maintained

Management reiterated targets for revenue of €700m and an EBITDA margin of 10% by FY23. We have revised our forecasts up to reflect stronger demand and profitability for PlanetArt, with FY21 EBITDA (pre-IFRS 16) increasing by 18% and FY22 by 13%. Our normalised EPS forecasts are increased by 27% in FY21 and 20% in FY22.

Valuation: Not reflecting growth potential

Reflecting the different business models and minority interests for each division, we continue to use a sum-of-the-parts approach to valuation. Using EV/sales multiples that reflect our views on the growth and profitability of each division and are conservative compared to the peer group averages, we calculate a valuation of €13.8 per share (unchanged since we last wrote). In our view, consistent growth in revenues and margins towards the FY23 targets will be key to reducing the discount to peers. Factors that could provide upside to our estimates include sustained high demand for photo printing, successful adoption of the FreePrints Gifts app in the US/Personal Creations in the UK and returning recent PlanetArt acquisitions to profitability.

Software & comp services

7 April 2021

Price €8.36

Market cap €330m

\$1.19:€

Net cash (€m) at end H121 46.7

Shares in issue 39.5m

Free float 91%

Code CLA

Primary exchange Euronext Paris

Secondary exchange N/A

Share price performance



%	1m	3m	12m
Abs	31.4	20.6	108.0
Rel (local)	24.1	11.3	47.0

52-week high/low €8.4 €3.80

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/IoT). Its headquarters are in Paris, and it has operations in Europe, the US and Canada.

Next events

Q321 revenue update 11 May

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Review of H121 results

In February, Claranova reported H121 revenues (see [Managing supply and demand](#) for a discussion of the divisional revenue performance). The table below details the full financial results for H121. In February, the company noted that H121 adjusted EBITDA would be nearly twice the level of H120 – in fact, adjusted EBITDA grew 106% y-o-y. Reported EBIT increased 158% y-o-y and net income after minority interest increased 587% y-o-y. Net cash at the end of H121 increased by 70% to €46.7m.

Exhibit 1: H121 results highlights

	H120	H121	y-o-y
Revenues	234.3	277.8	18.6%
EBITDA	12.8	24.9	94.7%
Lease payments (IFRS 16)	(1.6)	(1.8)	
Adjusted EBITDA	11.2	23.1	106.4%
D&A	(2.3)	(2.5)	
Normalised EBIT	10.6	22.5	113.0%
Share-based payments	0.0	0.0	
Exceptional items	(3.0)	(3.3)	
Acquired amortisation	(0.8)	(1.7)	
Reported EBIT	6.8	17.5	157.6%
Net finance cost	(2.3)	(3.5)	
Reported PBT	4.5	14.0	214.3%
Tax	(2.9)	(3.5)	
Profit after tax	1.5	10.5	583.1%
MI	(0.3)	(2.0)	
Net income after MI	1.2	8.5	587.1%
Net cash	27.5	46.7	69.8%

Source: Claranova

Divisional performance

Exhibit 2: Divisional revenue and EBITDA

€m	Revenues			Constant currency (cc)		Organic, cc	
	H120	H121	y-o-y	y-o-y	y-o-y		
PlanetArt	186.2	233.7	26%	32%	16%		
Avanquest	45.9	41.9	(9%)	(4%)	(4%)		
myDevices	2.2	2.2	(3%)	4%	4%		
Total	234.3	277.8	19%	25%	17%		
	EBITDA			EBITDA margin			
	H120	H121	H120	H121			
PlanetArt	10.1	19.3	5.4%	8.3%			
Avanquest	3.7	4.8	8.0%	11.5%			
myDevices	(2.6)	(1.0)	Nm	Nm			
Total	11.2	23.1	4.8%	8.3%			

Source: Claranova. Note: Claranova EBITDA is pre-IFRS 16

The main driver of the increase in profitability was the reduction in marketing expenses in **PlanetArt**. As previously reported, in the busy Thanksgiving to Christmas season, lockdowns in key markets put significant pressure on delivery networks (both in terms of supply and demand), with couriers and postal services taking longer to deliver. As a result, management decided to reduce active marketing in order not to disappoint customers. Despite this reduction in spend, revenues still grew 16% on an organic, constant currency basis in H121. The company noted that Personal Creations generated double-digit revenue growth and saw improved profitability in H121. The integration of CafePress is ongoing.

In **Avanquest**, as more than half of revenues (56% vs 42% in H120) are now coming from subscription licences, profitability has started to increase (11.5% vs 8.0% in H120). Management

expects to at least maintain this level of profitability in H221. In March, the division acquired a business called PDFescape for an undisclosed amount. PDFescape was already white labelling Soda pdf so will not add materially to revenues. However, it was a very profitable business so should help further boost the profitability of the division.

In **myDevices**, management decided to reduce costs while customer demand is effectively on hold. It will start to reinvest as lockdown restrictions are lifted and customers are able to physically install IoT devices.

Outlook and changes to forecasts

Management reiterated its outlook for revenue of €700m with an EBITDA margin of 10% by FY23. We have revised our forecasts to reflect H121 profitability and increased our PlanetArt revenue forecasts to reflect continued strong demand. This results in an 18% increase in our FY21 pre-IFRS 16 EBITDA forecast and a 13% increase for FY22. This flows through to normalised diluted EPS forecasts, which we increase by 27% in FY21 and 20% in FY22.

Exhibit 3: Changes to forecasts

€m	FY21e		FY21e		FY22e		FY22e	
	Old	New	Change	y-o-y	Old	New	Change	y-o-y
Revenues	479.3	479.2	(0.0%)	17.1%	549.1	564.1	2.7%	17.7%
EBITDA	34.2	40.0	17.1%	94.2%	40.0	45.0	12.5%	12.5%
EBITDA margin	7.1%	8.3%	1.2%	3.3%	7.3%	8.0%	0.7%	(0.4%)
EBITDA - pre IFRS 16	31.0	36.4	17.6%	108.7%	36.8	41.4	12.5%	13.7%
EBITDA margin - pre IFRS 16	6.5%	7.6%	1.1%	3.3%	6.7%	7.3%	0.6%	(0.3%)
Normalised operating profit	29.3	35.1	20.0%	122.1%	35.1	40.1	14.2%	14.3%
Normalised operating profit margin	6.1%	7.3%	1.2%	3.5%	6.4%	7.1%	0.7%	(0.2%)
Reported operating profit	23.0	26.5	15.4%	239.7%	31.8	36.8	15.7%	38.9%
Reported operating margin	4.8%	5.5%	0.7%	3.6%	5.8%	6.5%	0.7%	1.0%
Normalised PBT	24.5	29.2	18.9%	158.0%	30.4	35.4	16.5%	21.3%
Reported PBT	18.2	20.6	12.9%	523.0%	27.1	32.1	18.5%	56.0%
Normalised net income	14.4	18.3	27.1%	128.5%	17.7	21.1	19.5%	15.5%
Reported net income	9.5	11.4	19.4%	2176.4%	15.1	18.6	22.7%	63.1%
Normalised basic EPS (€)	0.37	0.46	27.1%	127.7%	0.45	0.53	19.5%	15.1%
Normalised diluted EPS (€)	0.36	0.46	27.1%	128.5%	0.44	0.53	19.5%	15.5%
Reported basic EPS (€)	0.24	0.29	19.4%	2168.2%	0.38	0.47	22.7%	62.5%
Net debt/(cash)	(24.0)	(24.3)	1.2%	74.9%	(51.5)	(56.7)	10.1%	133.4%
<u>Divisional revenues</u>								
PlanetArt	383.8	383.9	0.0%	22.3%	441.4	456.3	3.4%	18.9%
Avanquest	90.3	90.2	(0.1%)	(0.1%)	101.5	101.4	(0.1%)	12.4%
myDevices	5.2	5.1	(1.9%)	5.2%	6.3	6.3	0.0%	24.8%
Total	479.3	479.2	(0.0%)	17.1%	549.1	564.1	2.7%	17.7%
<u>Divisional EBITDA</u>								
PlanetArt	23.5	28.3	20.4%	100.4%	27.0	31.3	15.9%	10.6%
Avanquest	11.3	10.5	(7.1%)	46.6%	13.0	13.3	2.3%	26.7%
myDevices	(3.9)	(2.4)	(37.7%)	(37.5%)	(3.2)	(3.2)	0.0%	33.3%
Total EBITDA - pre IFRS 16	31.0	36.4	17.6%	108.7%	36.8	41.4	12.5%	13.7%

Source: Edison Investment Research

Valuation

In Exhibit 4, we show how the Claranova divisions compare to peers in terms of financial and valuation metrics. The personalised e-commerce peer group now includes Moonpig, recently listed on the London Stock Exchange. In Exhibit 5, we show our sum-of-parts valuation, which values each division separately and takes into account the minority interests in each division. We adjust the EV/sales multiples we use to reflect growth and profitability versus peers. We note the

Claranova EBITDA forecasts are pre-IFRS so include lease payments, depressing EBITDA margins compared to peers. However, this effect is removed at the EBIT level.

Exhibit 4: Peer financial and valuation metrics

	Quoted	Market	Rev growth (%)		EBITDA* margin (%)		EBIT margin (%)		EV/ Revs		EV/ EBITDA		P/E	
	ccy	cap (m)	CY	NY	CY	NY	CY	NY	CY	NY	CY	NY	CY	NY
Claranova	EUR	330	17.1	17.7	8.3	8.0	5.5	6.5	0.7	0.6	7.9	7.0	18.3	15.8
Personalised e-commerce														
PlanetArt			22.3	18.9	7.4	6.9								
CEWE Stiftung	EUR	893	3.1	4.1	17.7	17.9	10.5	10.8	1.1	1.1	6.4	6.1	17.5	15.6
Cimpress	USD	2604	-0.4	8.4	14.8	15.6	6.6	8.1	1.6	1.5	11.0	9.6	N/A	34.8
Moonpig	GBP	1448	101.2	-26.6	22.9	23.1	18.2	16.6	4.3	5.8	18.6	25.2	24.4	46.6
1-800 Flowers	USD	1790	35.0	3.4	9.7	10.0	7.3	7.2	0.8	0.8	8.3	7.7	17.1	16.2
Average			34.7	-2.7	16.3	16.7	10.7	10.7	2.0	2.3	11.0	12.1	19.7	28.3
Software publisher/reseller														
Avanquest			-0.1	12.4	11.6	13.1								
Avast	GBP	4692	6.8	6.7	55.5	55.7	49.7	52.7	7.5	7.1	13.6	12.7	17.0	15.9
Foxit	CNY	10805	82.8	35.9	33.3	33.9	N/A	N/A	12.1	8.9	36.2	26.2	56.5	40.8
IAC	USD	19201	16.8	17.1	5.3	8.5	-3.9	0.2	4.8	4.1	89.3	48.0	N/A	N/A
Kape Technologies	GBP	639	61.8	23.2	37.2	36.9	32.0	31.8	4.4	3.6	11.8	9.7	15.3	12.4
Nitro Software	AUD	526	19.1	22.1	-28.6	-25.1	-34.2	-27.7	7.5	6.1	N/A	N/A	N/A	N/A
Average			37.5	21.0	20.6	22.0	10.9	14.2	7.2	5.9	37.7	24.1	29.6	23.0
Average excluding Foxit			26.1	17.3	17.4	19.0	10.9	14.2	6.0	5.2	38.3	23.4	16.1	14.1
IoT														
myDevices			5.2	24.8	-47.5	-50.8								
Calamp Corp	USD	380	-8.4	-1.0	8.3	12.2	3.1	6.3	1.4	1.4	17.0	11.7	88.0	25.1
Digi International	USD	630	8.5	8.4	15.8	16.4	4.4	8.7	2.1	1.9	13.1	11.6	58.1	30.5
Sierra Wireless	CAD	677	5.2	9.2	0.8	5.1	-3.2	1.4	0.8	0.7	105.3	14.3	N/A	N/A
Telit Comms	GBP	280	11.5	N/A	11.7	N/A	6.0	N/A	0.9	N/A	7.3	N/A	19.2	N/A
Average			4.2	5.5	9.1	11.2	2.6	5.5	1.3	1.4	35.7	12.6	55.1	27.8
French software														
Axway Software	EUR	574	5.8	6.8	12.6	13.6	9.4	10.7	2.0	1.9	16.0	13.9	24.3	20.5
Cegedim	EUR	336	2.3	3.9	21.3	21.5	8.1	8.5	1.1	1.1	5.4	5.1	15.6	13.7
ESI Group	EUR	286	38.3	6.8	11.1	12.2	5.7	7.0	2.3	2.2	20.9	17.9	57.4	42.9
Esker	EUR	1160	9.5	16.4	19.9	20.7	12.3	12.5	9.3	8.0	46.9	38.6	94.3	79.9
Lectra	EUR	916	20.5	33.3	21.4	19.3	15.5	14.3	2.8	2.1	13.3	11.0	38.6	26.1
Linedata Services	EUR	228	2.5	2.5	27.5	28.0	17.6	18.1	1.8	1.8	6.7	6.4	12.2	11.5
Prodware	EUR	47	2.4	3.0	28.2	28.5	11.0	11.6	0.9	0.9	3.1	3.0	3.7	3.4
Average			11.6	10.4	20.3	20.5	11.4	11.8	2.9	2.6	16.0	13.7	35.2	28.3

Source: Edison Investment Research, Refinitiv (as at 1 April). *Claranova EBITDA is pre-IFRS 16 so includes lease expenses.

Exhibit 5: Sum-of-parts valuation

	FY21e	FY22e	EV based on FY21e sales multiple (€m)	Minority interest	Value to shareholders (€m)
<u>EV/Sales multiple (x)</u>					
PlanetArt	1.3	1.1	499.1	7.7%	460.5
Avanquest	2.0	1.8	180.5	64.1%	64.8
myDevices	4.0	3.2	20.2	38.1%	12.5
Implied EV/EBITDA multiple			699.7		537.8
PlanetArt	17.6	15.9			
Avanquest	17.2	13.6			
myDevices	N/A	N/A			
	€m				Upside/(downside)
Net cash at end FY20	13.9		Equity value (€m)	544.7	
Cost of acquisitions	(7.0)		Per share value (€)	13.79	65%
Adjusted net cash	6.9				
No. shares (m)	39.5				

Source: Edison Investment Research

Exhibit 6: 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	479.2	564.1
EBITDA		(6.8)	(9.2)	(5.0)	3.9	16.0	20.6	40.0	45.0
Normalised operating profit		(11.4)	(16.0)	(5.8)	3.4	15.5	15.8	35.1	40.1
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)	(5.3)	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	26.5	36.8
Net Interest		1.1	(1.7)	(0.9)	(0.3)	(3.5)	(4.5)	(5.9)	(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	29.2	35.4
Profit Before Tax (reported)		5.3	(27.8)	(11.0)	(6.4)	(37.7)	3.3	20.6	32.1
Reported tax		(0.6)	(0.8)	(0.4)	(1.8)	(3.7)	(2.1)	(5.0)	(7.4)
Profit After Tax (norm)		(10.9)	(18.5)	(7.0)	2.4	9.2	8.7	22.4	27.2
Profit After Tax (reported)		4.7	(28.6)	(11.4)	(8.2)	(41.4)	1.2	15.5	24.7
Minority interests		(8.1)	0.0	0.3	0.2	0.6	(0.7)	(4.2)	(6.1)
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	18.3	21.1
Net income (reported)		(6.5)	(28.6)	(11.0)	(7.9)	(40.8)	0.5	11.4	18.6
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	0.46	0.53
EPS - diluted normalised (€)		(3.27)	(0.49)	(0.18)	0.06	0.25	0.20	0.46	0.53
EPS - basic reported (€)		(1.13)	(0.76)	(0.29)	(0.20)	(1.04)	0.01	0.29	0.47
Dividend (€)		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Revenue growth (%)	#DIV/0!	26.1	10.9	24.0	62.4	56.0	17.1	17.7	
EBITDA Margin (%)		-7.3	-7.9	-3.8	2.4	6.1	5.0	8.3	8.0
Normalised Operating Margin		-12.3	-13.7	-4.4	2.1	5.9	3.9	7.3	7.1
BALANCE SHEET									
Fixed Assets		15.7	3.0	2.0	1.3	75.1	93.7	97.1	93.5
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	15.5	15.3
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	130.9	168.3
Stocks		5.9	5.0	3.7	3.7	4.8	14.4	16.9	19.9
Debtors		4.8	4.7	4.3	4.9	11.6	9.9	11.6	13.6
Cash & cash equivalents		30.5	11.1	17.1	65.7	75.4	82.8	93.2	125.6
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)	(77.0)	(86.2)
Creditors		(26.9)	(24.5)	(26.6)	(35.4)	(54.8)	(64.3)	(66.7)	(75.9)
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	77.8	102.5
Minority interests		0.0	0.0	(0.1)	(1.8)	(11.0)	(11.7)	(15.9)	(22.0)
Shareholders' equity		29.3	2.1	1.2	12.5	52.6	50.6	62.0	80.6
CASH FLOW									
Op Cash Flow before WC and tax		(6.8)	(9.2)	(5.0)	3.9	16.0	20.6	40.0	45.0
Working capital		0.4	2.5	6.8	7.9	(4.1)	22.5	(1.7)	4.1
Exceptional & other		(3.8)	(4.3)	(2.2)	(5.7)	(5.2)	(6.3)	(5.3)	0.0
Tax		0.3	(0.3)	(0.0)	(1.2)	(3.8)	(6.8)	(5.0)	(7.4)
Net operating cash flow		(9.8)	(11.3)	(0.4)	5.0	3.0	30.0	27.9	41.8
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)	(5.9)	(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	(3.6)	(3.6)
Net Cash Flow		29.0	(15.7)	5.0	20.1	(14.2)	(3.2)	10.4	32.4
Opening net debt/(cash)		18.0	(23.9)	(9.8)	(16.0)	(37.5)	(23.6)	(13.9)	(24.3)
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)	(24.3)	(56.7)

Source: Claranova, Edison Investment Research

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