

# Claranova

Q321 results

## PlanetArt growth accelerates

Claranova reported 31% y-o-y revenue growth for Q321, or 30% on an organic, constant currency (cc) basis. PlanetArt saw growth accelerate to 45% (42% organic, cc), helped by the successful integration of Personal Creations and subsequent launch of FreePrints Gifts in the US. Avanquest returned to growth having completed the transition to subscription licensing. We have revised our forecasts to reflect Q3 results, with a small upgrade to revenue and EBITDA in both years.

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	28.9
06/20	409.1	17.4	11.3	0.20	0.0	35.6
06/21e	483.4	36.5	29.6	0.47	0.0	15.3
06/22e	569.9	41.9	35.9	0.54	0.0	13.3

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

## Q321 reported revenue growth of 31% y-o-y

Claranova reported revenue growth of 31% y-o-y for Q321 and 22% for the nine months ending 31 March 2021 (9M21). On an organic basis, group revenue grew 24%, and on an organic cc basis, 30%. PlanetArt was the driver with 42% organic cc growth in Q321. Avanquest has returned to growth (+4%, or +7% organic, cc) now that the transition to subscription licensing is complete. As legacy products have been contributing a declining proportion of divisional revenue, we should see increasing growth from this division in the coming quarters. myDevices continued to see suppressed demand because of COVID-19 restrictions in the hospitality sector, but as restrictions are lifted, commercial deployments should start to resume.

## Upgrading forecasts

We have revised our forecasts to reflect Q321 revenue. We have increased our PlanetArt revenue and EBITDA forecasts for FY21 and FY22. We have slightly reduced our Avanquest revenue forecasts for FY21/22 but we maintain our EBITDA forecasts. We assume a slightly larger EBITDA loss for myDevices in FY21. We raise group revenue by 0.9% in FY21e and 1.0% in FY22e, with a 0.3% increase in EBITDA (pre-IFRS 16) in FY21e and 1.2% in FY22e.

## Valuation: Sum-of-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. 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 €13.9 per share (up from €13.8 when we last wrote due to our revenue upgrades). In our view, consistent growth in revenues and margins towards the company's 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 and Personal Creations in the UK and returning recent PlanetArt acquisitions to profitability.

## Software & comp services

13 May 2021

**Price** €7.13

**Market cap** €282m

\$1.21/€

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	(13.4)	5.4	22.9
Rel (local)	(14.8)	(3.4)	(11.7)

52-week high/low €8.81 €5.03

## 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 United States and Canada.

## Next events

FY21 revenue update 4 August

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## Q321 revenue update

Exhibit 1: Revenues, nine months and Q3						
Revenues (€m)			y-o-y		y-o-y	
	9M21	9M20	y-o-y	Constant currency	Organic	Constant currency organic
PlanetArt	306	236	30%	37%	20%	27%
Avanquest	65	68	-5%	-1%	-5%	-1%
myDevices	3	4	-14%	-8%	-14%	-8%
<b>Total</b>	<b>373</b>	<b>307</b>	<b>22%</b>	<b>28%</b>	<b>14%</b>	<b>20%</b>
	Q321	Q320				
PlanetArt	72	50	45%	55%	35%	42%
Avanquest	23	22	4%	7%	4%	7%
myDevices	1	1	-34%	-28%	-34%	-28%
<b>Total</b>	<b>96</b>	<b>73</b>	<b>31%</b>	<b>39%</b>	<b>24%</b>	<b>30%</b>

Source: Claranova

Claranova reported 31% revenue growth for Q321 and 22% growth for 9M21. On a cc basis, growth was 39% for Q321 and 28% for 9M21. PlanetArt acquired Personal Creations in August 2019 and CafePress in September 2020 – organic growth rates exclude July 2020 revenue for Personal Creations and revenue from September 2020 to March 2021 for CafePress. Although Avanquest acquired three businesses during the period (PDFescape, Gamulator and Kubadownload) the revenue contribution was not material.

PlanetArt generated 35% organic growth in Q321 and 20% growth for 9M21. Also adjusting for currency, organic growth was 42% in Q321 and 27% for 9M21, compared to 23% for H121 and 32% for Q121. This implies an acceleration in growth compared to the first two quarters of the year. The company noted the successful integration of Personal Creations and the subsequent launch of FreePrints Gifts in the US had helped revenue growth.

Avanquest saw a 4% increase in revenue in Q321, or 7% on a cc basis. For 9M21, revenue declined 5% or 1% on a cc basis. The company noted that the transition to subscription licensing was complete and made up more than three-quarters of new business for its three main proprietary products (PDF, security, photo). Recurring revenue increased to 60% in Q3, up from 56% in H121 and 54% in Q121. Non-strategic business (in particular physical software sales) continued to decline, whereas the remainder of the business grew at double-digits.

## Changes to forecasts

We have made minor changes to our forecasts, increasing PlanetArt revenue assumptions for FY21 and FY22, and reducing slightly the contribution from Avanquest in both years and myDevices in FY21. EBITDA upside for PlanetArt is partially offset by myDevices in FY21, resulting in a minimal increase of €0.1m. In FY22, we raise our EBITDA forecast by €0.5m.

**Exhibit 2: Changes to forecasts**

€'m	FY21e				FY22e			
	Old	New	Change	y-o-y	Old	New	Change	y-o-y
<b>Revenues</b>	<b>479.2</b>	<b>483.4</b>	<b>0.9%</b>	<b>18.2%</b>	<b>564.1</b>	<b>569.9</b>	<b>1.0%</b>	<b>17.9%</b>
EBITDA	40.0	40.1	0.3%	94.8%	45.0	45.5	1.1%	13.4%
EBITDA margin	8.3%	8.3%	(0.0%)	3.3%	8.0%	8.0%	0.0%	(0.3%)
<b>EBITDA - pre IFRS 16</b>	<b>36.4</b>	<b>36.5</b>	<b>0.3%</b>	<b>109.4%</b>	<b>41.4</b>	<b>41.9</b>	<b>1.2%</b>	<b>14.7%</b>
EBITDA margin - pre IFRS 16	7.6%	7.6%	(0.0%)	3.3%	7.3%	7.4%	0.0%	(0.2%)
Normalised operating profit	35.1	35.2	0.4%	122.9%	40.1	40.6	1.3%	15.3%
Normalised operating profit margin	7.3%	7.3%	(0.0%)	3.4%	7.1%	7.1%	0.0%	(0.2%)
Reported operating profit	26.5	26.6	0.5%	241.4%	36.8	37.3	1.4%	40.1%
Reported operating margin	5.5%	5.5%	(0.0%)	3.6%	6.5%	6.5%	0.0%	1.0%
Normalised PBT	29.2	29.6	1.5%	161.8%	35.4	35.9	1.4%	21.2%
Reported PBT	20.6	21.0	2.1%	535.9%	32.1	32.6	1.6%	55.2%
Normalised net income	18.3	18.6	2.0%	133.0%	21.1	21.4	1.6%	15.1%
Reported net income	11.4	11.7	3.2%	2248.2%	18.6	18.9	1.8%	61.0%
Normalised basic EPS (€)	0.46	0.47	2.0%	132.2%	0.53	0.54	1.6%	14.6%
Normalised diluted EPS (€)	0.46	0.47	2.0%	133.0%	0.53	0.54	1.6%	15.1%
Reported basic EPS (€)	0.29	0.30	3.2%	2239.6%	0.47	0.48	1.8%	60.4%
Net debt/(cash)	(24.3)	(25.0)	2.8%	79.9%	(56.7)	(57.9)	2.0%	131.5%
<b>Divisional revenues</b>								
PlanetArt	383.9	390.4	1.7%	24.3%	456.3	464.0	1.7%	18.8%
Avanquest	90.2	88.5	(2.0%)	(2.1%)	101.4	99.6	(1.8%)	12.6%
myDevices	5.1	4.5	(11.4%)	(6.8%)	6.3	6.3	0.0%	40.8%
Total	479.2	483.4	0.9%	18.1%	564.1	569.9	1.0%	17.9%
<b>Divisional EBITDA</b>								
PlanetArt	28.3	28.7	1.4%	103.3%	31.3	31.8	1.6%	10.8%
Avanquest	10.5	10.5	0.0%	46.6%	13.3	13.3	0.0%	26.7%
myDevices	(2.4)	(2.7)	11.5%	(30.3%)	(3.2)	(3.2)	0.0%	19.6%
Total EBITDA - pre IFRS 16	36.4	36.5	0.3%	109.4%	41.4	41.9	1.2%	14.7%

Source: Edison Investment Research

**Exhibit 3: Financial summary**

	€'m	2015	2016	2017	2018	2019	2020	2021e	2022e
Year end 30 June		IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
<b>INCOME STATEMENT</b>									
Revenue		93.1	117.4	130.2	161.5	262.3	409.1	483.4	569.9
EBITDA		(6.8)	(9.2)	(5.0)	3.9	16.0	20.6	40.1	45.5
Normalised operating profit		(11.4)	(16.0)	(5.8)	3.4	15.5	15.8	35.2	40.6
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	26.6	37.3
Net Interest		1.1	(1.7)	(0.9)	(0.3)	(3.5)	(4.5)	(5.6)	(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	29.6	35.9
Profit Before Tax (reported)		5.3	(27.8)	(11.0)	(6.4)	(37.7)	3.3	21.0	32.6
Reported tax		(0.6)	(0.8)	(0.4)	(1.8)	(3.7)	(2.1)	(5.1)	(7.5)
Profit After Tax (norm)		(10.9)	(18.5)	(7.0)	2.4	9.2	8.7	22.8	27.6
Profit After Tax (reported)		4.7	(28.6)	(11.4)	(8.2)	(41.4)	1.2	15.9	25.1
Minority interests		(8.1)	0.0	0.3	0.2	0.6	(0.7)	(4.1)	(6.2)
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	18.6	21.4
Net income (reported)		(6.5)	(28.6)	(11.0)	(7.9)	(40.8)	0.5	11.7	18.9
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	0.47	0.54
EPS - diluted normalised (€)		(3.27)	(0.49)	(0.18)	0.06	0.25	0.20	0.47	0.54
EPS - basic reported (€)		(1.13)	(0.76)	(0.29)	(0.20)	(1.04)	0.01	0.30	0.48
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	18.2	17.9
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
<b>BALANCE SHEET</b>									
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	131.8	169.8
Stocks		5.9	5.0	3.7	3.7	4.8	14.4	17.0	20.1
Debtors		4.8	4.7	4.3	4.9	11.6	9.9	11.7	13.8
Cash & cash equivalents		30.5	11.1	17.1	65.7	75.4	82.8	93.9	126.8
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)	(77.6)	(87.0)
Creditors		(26.9)	(24.5)	(26.6)	(35.4)	(54.8)	(64.3)	(67.3)	(76.7)
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	78.2	103.3
Minority interests		0.0	0.0	(0.1)	(1.8)	(11.0)	(11.7)	(15.8)	(22.0)
Shareholders' equity		29.3	2.1	1.2	12.5	52.6	50.6	62.3	81.2
<b>CASH FLOW</b>									
Op Cash Flow before WC and tax		(6.8)	(9.2)	(5.0)	3.9	16.0	20.6	40.1	45.5
Working capital		0.4	2.5	6.8	7.9	(4.1)	22.5	(1.4)	4.2
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)	(5.1)	(7.5)
Net operating cash flow		(9.8)	(11.3)	(0.4)	5.0	3.0	30.0	28.3	42.2
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)	(5.6)	(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)	11.1	32.9
Opening net debt/(cash)		18.0	(23.9)	(9.8)	(16.0)	(37.5)	(23.6)	(13.9)	(25.0)
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)	(25.0)	(57.9)

Source: Claranova, Edison Investment Research

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