

FY 20/21 SALES

IMPROVEMENT IN PROFITABILITY CONFIRMED

Claranova reported its FY20/21 sales yesterday evening after the close. While sales were a little lower than expected, the group indicated a very significant improvement in its profitability, with adjusted EBITDA as calculated by the group expected to virtually double compared to a year earlier. This trend supports our scenario, which we are consequently leaving unchanged. We have marginally adjusted our target price (€11.5 vs. €11.4) and are maintaining our BUY recommendation. As we detailed in our flash dated July 22, our comparisons with Moonpig, a peer of Planet Art (84% of the RNAV of Claranova) that was listed in London at the beginning of 2021, highlights the substantial undervaluation of Claranova at current share prices. The stock has rallied around +15% since our previous flash but the upside potential remains significant.

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Significant improvement in profitability in FY 20/21

Claranova reported its FY20/21 (July 1 – June 30) sales yesterday evening after the close. Sales were a little lower than expected at €472m vs. €491.6m expected (IS estimate: €485m), up +15% as reported and +14% at constant exchange rates and constant scope of consolidation (acquisition of the CafePress activities integrated in September 2020 and Personal Creations activities acquired in August 2019). By division, Planet Art sales reached €380m (IS estimate: €388m), up +21% as reported. For their part, Avanquest sales equaled €88m (IS estimate: €90m), down -3% yoy as reported. The IOT division recorded sales of €4m (IS estimate: €6.3m).

Additionally, the group indicated that it expects its adjusted EBITDA as calculated by the group to have virtually doubled in FY 20/21 vs. FY 19/20 (€17m in FY 19/20). This figure includes the restatement as subsidies of the assistance provided by the US authorities in FY 19/20 in connection with the Paycheck Protection Program (PPP) for a total of \$5m. As a reminder, our scenario assumed up until now adjusted EBITDA as calculated by the group of €31m, an estimate that we are maintaining for the moment (vs. €35.1m for the consensus). The integration of these elements supports our EPS estimates, which we have left unchanged.

BUY opinion maintained, target price of €11.5 (vs. €11.4 previously).

We have updated the financial parameters in our valuation model (equity risk premium and interest rate). As these parameters have seen only modest changes since our previous flash dated July 22, 2021, our target price is virtually unchanged at €11.5 (€11.4 previously) and we are maintaining our BUY recommendation.

As detailed in our previous flash, our comparative analysis with Moonpig, a pure player in the sale of personalized cards listed in London at the beginning of 2021 comparable to Planet Art (84% of the RNAV of Claranova), effectively highlights the substantial undervaluation of Claranova at current share prices. Additionally, management, which expressed its dissatisfaction with the stock's undervaluation last April and announced that it was working on different scenarios in order to boost the share price (arrival of major shareholders, break-up or IPO of certain activities), could be encouraged by the Moonpig IPO. .../...

Invest Securities and the issuer have signed an analyst coverage agreement

in € / share	20/21e	21/22e	22/23e
Adjusted EPS	0,36	0,54	0,77
chg.	+106,2%	+49,3%	+42,4%
estimates chg.	-0,1%	+0,2%	+0,4%
au 30/06	20/21e	21/22e	22/23e
PE	21,7x	14,6x	10,2x
EV/Sales	0,6x	0,4x	0,3x
EV/Adjusted EBITD	8,7x	5,7x	3,6x
EV/Adjusted EBITA	10,0x	6,3x	3,9x
FCF yield*	8,5%	13,2%	21,0%
Div. yield (%)	n.s.	n.s.	n.s.

* After tax op. FCF before WCR

key points	
Closing share price 03/08/2021	7,9
Number of Shares (m)	39,7
Market cap. (€m)	309
Free float (€m)	285
ISIN	FRO013426004
Ticker	CLA-FR
DJ Sector	Technology Services

	1m	3m	Ytd
Absolute perf.	+14,4%	+2,0%	+15,9%
Relative perf.	+14,4%	-0,1%	+1,7%

Source : Factset, Invest Securities estimates

FINANCIAL DATA

Share information	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21e	2021/22e	2022/23e
Published EPS (€)	-0,76	-0,29	-0,21	-1,04	0,01	0,34	0,52	0,75
Adjusted EPS (€)	-1,06	-0,10	0,06	0,26	0,18	0,36	0,54	0,77
<i>Diff. I.S. vs Consensus</i>	<i>n.s.</i>	<i>n.s.</i>	<i>n.s.</i>	<i>+48,3%</i>	<i>n.s.</i>	<i>+1,8%</i>	<i>+9,0%</i>	<i>n.d.</i>
Dividend	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
Valuation ratios	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21e	2021/22e	2022/23e
P/E	n.s.	n.s.	108,1x	29,7x	38,8x	21,7x	14,6x	10,2x
EV/Sales	0,01x	0,57x	1,42x	1,11x	0,60x	0,57x	0,44x	0,33x
EV/Adjusted EBITDA	n.s.	n.s.	60,2x	18,2x	14,2x	8,7x	5,7x	3,6x
EV/Adjusted EBITA	n.s.	n.s.	69,4x	20,8x	17,7x	10,0x	6,3x	3,9x
Op. FCF bef. WCR yield	n.s.	n.s.	1,2%	3,3%	5,1%	8,5%	13,2%	21,0%
Op. FCF yield	n.s.	2,3%	4,6%	1,9%	14,2%	8,4%	14,9%	22,8%
Div. yield (%)	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.
<i>NB : valuation based on annual average price for past exercise</i>								
Entreprise Value (€m)	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21e	2021/22e	2022/23e
Share price in €	1,01	2,43	6,93	7,87	6,81	7,86	7,86	7,86
Market cap.	10,8	90,9	265,1	291,1	252,0	291,0	291,0	291,0
Net Debt	-9,8	-16,0	-37,5	-23,5	-13,9	-33,9	-66,6	-110,1
Minorities	0,0	0,1	1,8	11,0	11,7	14,8	19,6	26,8
Provisions/ near-debt	0,7	0,2	0,2	15,1	0,7	0,7	0,7	0,7
+/- Adjustments	-1,1	-0,7	-0,6	-3,0	-3,1	-3,1	-3,1	-3,1
Entreprise Value (EV)	0,7	74,5	228,9	290,7	247,4	269,5	241,6	205,3
Income statement (€m)	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21e	2021/22e	2022/23e
Sales	117,4	130,2	161,5	262,3	409,1	472,0	548,2	621,9
<i>chg.</i>	<i>+26,1%</i>	<i>+10,9%</i>	<i>+24,0%</i>	<i>+62,4%</i>	<i>+56,0%</i>	<i>+15,4%</i>	<i>+16,1%</i>	<i>+13,4%</i>
Adjusted EBITDA	-10,7	-4,9	3,8	16,0	17,4	30,9	42,4	57,6
adjusted EBITA	-16,1	-5,8	3,3	14,0	14,0	26,9	38,2	53,3
<i>chg.</i>	<i>n.s.</i>	<i>n.s.</i>	<i>n.s.</i>	<i>+324%</i>	<i>+0%</i>	<i>+92%</i>	<i>+42%</i>	<i>+39%</i>
EBIT	-26,1	-10,1	-6,1	11,4	7,7	26,0	37,8	52,9
Financial result	-1,7	-0,9	-0,3	-49,3	-4,5	-3,4	-3,3	-3,0
Corp. tax	-0,8	-0,4	-1,8	-3,7	-2,1	-6,0	-9,1	-13,2
Minorities+affiliates	0,0	0,3	0,2	0,6	-0,7	-3,1	-4,8	-7,1
Net attributable profit	-28,6	-11,0	-7,9	-40,9	0,5	13,5	20,5	29,5
Adjusted net att. profit	-11,3	-3,7	2,6	9,8	6,5	14,6	21,8	31,0
<i>chg.</i>	<i>n.s.</i>	<i>n.s.</i>	<i>n.s.</i>	<i>+281%</i>	<i>-34%</i>	<i>+125%</i>	<i>+49%</i>	<i>+42%</i>
Cash flow statement (€m)	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21e	2021/22e	2022/23e
EBITDA	-10,7	-4,9	3,8	16,0	17,4	30,9	42,4	57,6
Theoretical Tax / EBITA	0,0	0,0	-1,0	-3,9	-3,7	-7,1	-9,6	-13,3
Capex	-0,9	-0,2	-0,2	-2,5	-1,2	-1,0	-1,1	-1,3
Operating FCF bef. WCR	-11,6	-5,1	2,6	9,6	12,5	22,8	31,8	43,0
Change in WCR	2,5	6,8	7,9	-4,1	22,5	-0,2	4,2	3,7
Operating FCF	-9,1	1,7	10,5	5,5	35,0	22,6	36,0	46,7
Acquisitions/disposals	-0,4	3,6	14,2	-13,3	-31,9	-5,0	0,0	0,0
Capital increase/decrease	-3,1	1,9	2,0	-1,4	0,0	5,5	0,0	0,0
Dividends paid	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Other adjustments	-1,5	-1,0	-5,2	-4,8	-12,7	-3,2	-3,3	-3,3
Published Cash-Flow	-14,1	6,2	21,6	-14,0	-9,6	20,0	32,7	43,4
Balance Sheet (€m)	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21e	2021/22e	2022/23e
Assets	3,0	2,0	1,3	75,2	93,8	95,7	92,6	89,5
Intangible assets/GW	0,0	0,0	0,0	63,0	61,7	66,7	66,7	66,7
WCR	-10,0	-16,5	-24,4	-20,0	-34,5	-34,3	-38,5	-42,2
Group equity capital	2,1	1,2	12,5	52,6	50,6	69,6	90,1	119,7
Minority shareholders	0,0	0,1	1,8	11,0	11,7	14,8	19,6	26,8
Provisions	0,7	0,2	0,2	0,6	0,7	0,7	0,7	0,7
Others	0,0	0,0	0,0	14,5	10,2	10,2	10,2	10,2
Net financial debt	-9,8	-16,0	-37,5	-23,5	-13,9	-33,9	-66,6	-110,1
Financial ratios	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21e	2021/22e	2022/23e
EBITDA margin	n.s.	n.s.	2,4%	6,1%	4,3%	6,5%	7,7%	9,3%
EBITA margin	n.s.	n.s.	2,0%	5,3%	3,4%	5,7%	7,0%	8,6%
Adjusted Net Profit/Sales	n.s.	n.s.	1,6%	3,7%	1,6%	3,1%	4,0%	5,0%
ROCE	n.s.	n.s.	-14,3%	25,4%	23,6%	43,8%	70,7%	112,7%
ROE adjusted	n.s.	n.s.	20,5%	18,6%	12,8%	21,0%	24,2%	25,9%
Gearing	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.
ND/EBITDA (in x)	n.s.	n.s.	-9,9x	-1,5x	-0,8x	-1,1x	-1,6x	-1,9x

Source : company, Invest Securities Estimates

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.

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.

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.

OPPORTUNITIES

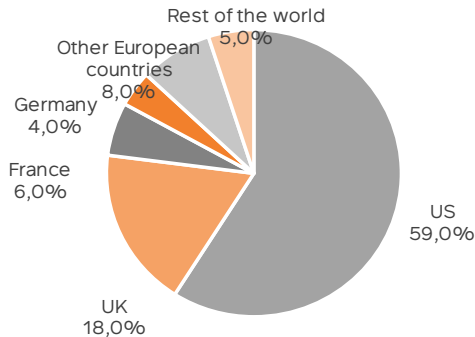
- Claranova had unused tax loss carryforwards
- Transpose the success of Freeprints in the photo segment to personalized products following the acquisitions of Personal Creation and Cafe Press.

THREATS

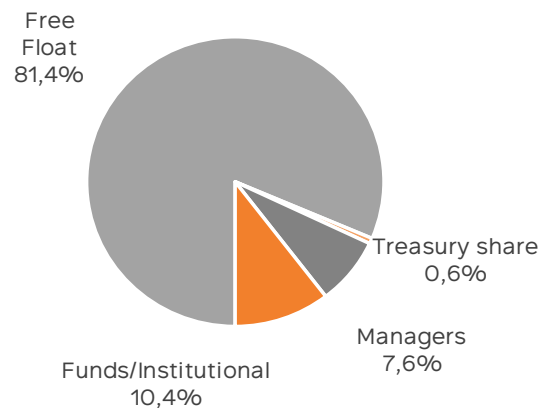
- A still early stage IoT market on which numerous players are present.

ADDITIONAL INFORMATION

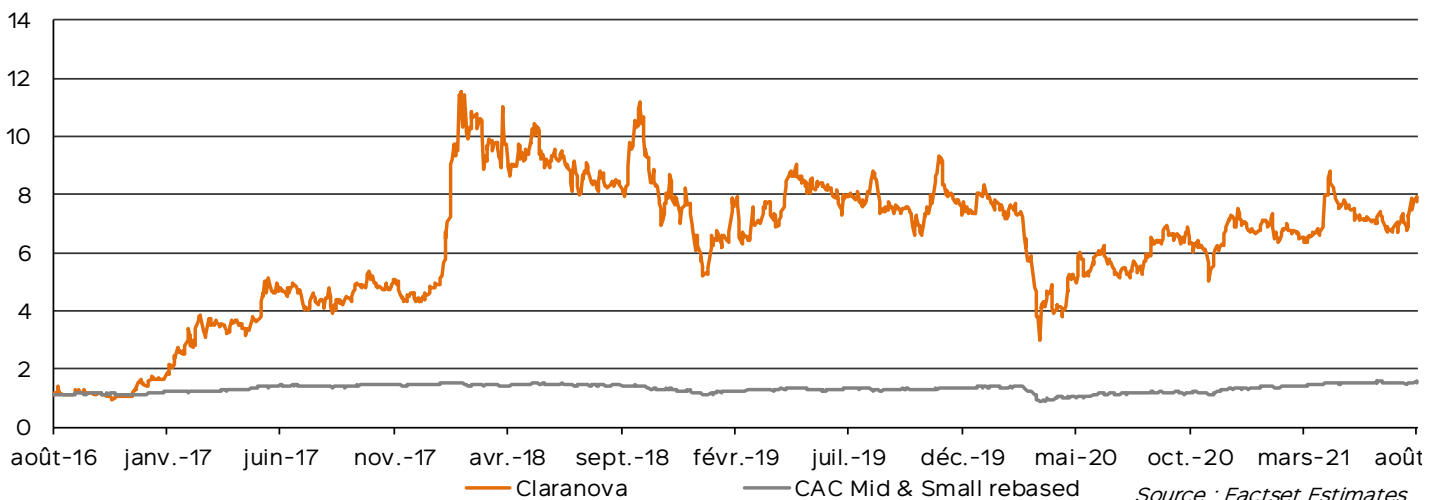
Sales Breakdown 2019/20



Shareholders



SHARE PRICE CHANGE FOR 5 YEARS



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TARGET PRICE AND RECOMMENDATION

Our analyst ratings are dependent on the expected absolute performance of the stock on a 6- to 12-month horizon. They are based on the company’s risk profile and the target price set by the analyst, which takes into account exogenous factors related to the market environment that may vary considerably. The Invest Securities analysis office sets target prices based on a multi-criteria fundamental analysis, including, but not limited to, discounted cash flows, comparisons based on peer companies or transaction multiples, sum-of-the-parts value, restated net asset value, discounted dividends.

Ratings assigned by the Invest Securities analysis office are defined as follows:

- BUY: Upside potential of more than 10% (the minimum upside required may be revised upward depending on the company’s risk profile)
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- SELL: Downside potential of more than 10%
- TENDER or DO NOT TENDER: Recommendations used when a public offer has been made for the issuer (takeover bid, public exchange offer, squeeze-out, etc.)
- SUBSCRIBE or DO NOT SUBSCRIBE: Recommendations used when a company is raising capital
- UNDER REVIEW: Temporary recommendation used when an exceptional event that has a substantial impact on the company’s results or our target price makes it impossible to assign a BUY, NEUTRAL or SELL rating to a stock

12-MONTH HISTORY OF OPINION

Le tableau ci-dessous reflète l'historique des changements de recommandation et d'objectif de cours réalisés par le bureau d'analyse financière d'Invest Securities au cours des 12 derniers mois.

Company Name	Main Author	Release Date	Rating	Target Price	Potential
Claranova	Ludovic Martin	21-juil.-21	ACHAT	11,4	+65%
Claranova	Ludovic Martin	11-févr.-21	ACHAT	9,5	+36%
Claranova	Ludovic Martin	05-nov.-20	ACHAT	9,0	+51%
Claranova	Ludovic Martin	02-oct.-20	ACHAT	9,2	+41%

DETECTION OF CONFLICTS OF INTEREST

	Claranova
Invest Securities was lead manager or co-lead manager in a public offer concerning the financial instruments of this issuer during the last twelve months.	No
Invest Securities has signed a liquidity contract with the issuer.	No
Invest Securities and the issuer have signed a research service agreement.	Yes
Invest Securities and the issuer have signed a Listing Sponsor agreement.	No
Invest Securities has been remunerated by this issuer in exchange for the provision of other investment services during the last twelve months (RTO, Execution on behalf of third parties, advice, placement, underwriting).	No
This document was sent to the issuer prior to its publication. This rereading did not lead the analyst to modify the valuation.	No
This document was sent to the issuer for review prior to its publication. This rereading led the analyst to modify the valuation.	No
The financial analyst has an interest in the capital of the issuer.	No
The financial analyst acquired equity securities of the issuer prior to the public offering transaction.	No
The financial analyst receives remuneration directly linked to the transaction or to an investment service provided by Invest Securities.	No
An executive officer of Invest Securities is in a conflict of interest with the issuer and was given access to this document prior to its completion.	No
Invest Securities or the All Invest group owns or controls 5% or more of the share capital issued by the issuer.	No
Invest Securities or the All Invest group holds, on a temporary basis, a net long position of more than 0.5% of the issuer's capital.	No
Invest Securities or the All Invest group holds, on a temporary basis, a net short position of more than 0.5% of the issuer's capital.	No
The issuer owns or controls 5% or more of the capital of Invest Securities or the All Invest group.	No

La politique de gestion des conflits d'intérêts d'Invest Securities est accessible sur le site d'Invest Securities dans la rubrique Règlementation. Une liste de toutes les recommandations diffusées sur 12 mois ainsi que la publication trimestrielle de la part des « ACHAT, VENDE, NEUTRE, AUTRES » sur 12 mois, sont accessibles sur le site de recherche d'Invest Securities.

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