

UPDATE

POOR PERFORMANCE EXPECTED IN Q1

Claranova issued a press release last Thursday in which it announced that it expected group sales to fall in Q1 21/22 due to a poor performance by Planet Art, explained by 1) a change in the conditions of marketing campaigns on the Apple Store and 2) a one-off slowdown in online sales following the end of lockdowns. This announcement was severely sanctioned on the market (-20% for the month). Even if factoring in this disappointment has led us to lower our FY 21/22 and 22/23 EPS estimates by -9.6% and -3.8% while still maintaining our BUY recommendation with an updated target price of €9.9 (vs. €10.7 previously), the group's ability to execute its conquest marketing strategy under good conditions looking out beyond Q1 should nevertheless be closely monitored.

Ludovic Martin, CFA
+33 1 73 73 90 36
lmartin@invest-securities.com

Maxime Dubreil
+33 1 44 88 77 98
mdubreil@invest-securities.com

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Poor performance at Planet Art in Q1 21/22

Claranova issued a press release last Thursday evening in which it announced that it anticipated an around -5% fall in sales in Q1 21/22 (July 1 – September 30). According to this press release, this decline in sales exclusively concerns its Planet Art division and is explained by the post-lockdown fall in online traffic and constraints linked to the new version of Apple's IOS 14, which is limiting the ability to conduct personalized marketing campaigns. The company nevertheless anticipates a return to growth in Q2 and is maintaining its objectives for 2023 sales of €700m and an EBIT margin over 10%.

FY 21/22 and 22/23 EPS estimates lowered by -9.6% and -3.8%

We have lowered our estimates for FY 21/22 following this announcement. Based on our calculations and all things being equal, a -5% fall in group sales in Q1 would signify a -15% fall in Planet Art sales over the same period, corresponding to €22m in lost sales compared to our previous estimate. Our forecast for full year growth at Planet Art has therefore been lowered to +10.8% (vs. +16.5% previously). Additionally, we have taken into account cost savings, notably on the marketing level, in line with the downward revision in the top line. Consequently, we have lowered our EPS estimates for FY 21/22 by -9.6% and for FY 22/23 to a lesser extent by -3.8%.

We would also again note that the seasonality of Planet Art's business over recent years has been marked by particularly strong demand in Q2 (Christmas season) while Q1 has traditionally made a smaller contribution to sales. At this point, we have factored in a poor performance by Planet Art in Q1 on a one-off basis. However, we cannot rule out the possibility of further risk in Q2, particularly as concerns the group's conquest marketing strategy. This risk will have to be closely monitored.

BUY recommendation maintained, target price lowered to €9.9 (vs. €10.7 previously)

After updating the financial parameters in our valuation model, with a WACC for Planet Art now at 11.79% (vs. 11.32% previously) reflecting the increases in the risk premium

Invest Securities and the issuer have signed an analyst coverage agreement

.../...

in € / share	20/21e	21/22e	22/23e
Adjusted EPS	0,36	0,49	0,74
chg.	+106,2%	+36,1%	+50,2%
estimates chg.	+0,0%	-9,6%	-3,8%

au 30/06	20/21e	21/22e	22/23e
PE	15,8x	11,6x	7,7x
EV/Sales	0,4x	0,5x	0,4x
EV/Adjusted EBITD.	6,3x	6,3x	3,9x
EV/Adjusted EBITA	7,2x	7,1x	4,2x
FCF yield*	11,8%	11,8%	19,2%
Div. yield (%)	n.s.	n.s.	n.s.

* After tax op. FCF before WCR

key points		
Closing share price	05/10/2021	5,7
Number of Shares (m)		41,9
Market cap. (€m)		239
Free float (€m)		222
ISIN		FR0013426004
Ticker		CLA-FR
DJ Sector		Technology Services

	1m	3m	Ytd
Absolute perf.	-21,3%	-16,1%	-15,0%
Relative perf.	-19,2%	-14,9%	-24,7%

Source : Factset, Invest Securities estimates

and the risk-free rate over the period, our target price is now €9.9 per share, corresponding to very significant upside potential of +74%. We are maintaining our BUY recommendation.

Nevertheless, even if we have chosen to avoid over-interpreting the press release issued last Thursday, the group's ability to execute its conquest marketing strategy under good conditions should be closely monitored over the coming months.

We would effectively note that Planet Art previously recorded 23 consecutive quarters of growth and that the theme of the digitalization of the economy in which the group is positioned should remain structurally positive over the coming years. In this context, we believe that Claranova's valuation currently remains highly attractive in fundamental terms.

Claranova RNAV

SOP	Valuation methods	EV/Sales 20/21e induced	EV/Sales 21/22e induced	% de détention	Valuation en €m €/share % SOP		
PlanetArt	DCF Valuation	1,2x	1,1x	92%	413	8,9	72%
My devices (IoT)	val. based on Jan. 2019 K incre	9,4x	6,7x	51%	19	0,4	3%
Avanquest Software	DCF Valuation	1,7x	1,5x	100%	154	3,3	27%
Total EV		1,2x	1,1x		586	12,6	102%
Net cash	End of FY 2019/20				13,9	0,3	2%
CI (15m€ CI Heights and Ophir and 28,7m€ for the buyout of Avanquest minority shareholders in Claranova shares)					43,7	0,9	8%
Buyout of the minority shareholders of Avanquest					-98,0	-2,1	-17%
CafePress paiement acquisition	Transaction value est.				-5,0	-0,1	-1%
Stock-Options + BSA myDevices & C Strike					37,2	0,8	6%
Provisions	End of FY 2019/20				-0,7	0,0	0%
EV adjustments					-9	-0,2	-2%
Valuation	Number of shares (m)		46,6		577	12,4	100%
			-20%			9,9	

Source : Invest Securities

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	0,49	0,72
Adjusted EPS (€)	-1,06	-0,10	0,06	0,26	0,18	0,36	0,49	0,74
<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>+3,3%</i>	<i>-3,5%</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	15,8x	11,6x	7,7x
EV/Sales	0,01x	0,57x	1,42x	1,11x	0,60x	0,41x	0,47x	0,36x
EV/Adjusted EBITDA	n.s.	n.s.	60,2x	18,2x	14,2x	6,3x	6,3x	3,9x
EV/Adjusted EBITA	n.s.	n.s.	69,4x	20,8x	17,7x	7,2x	7,1x	4,2x
Op. FCF bef. WCR yield	n.s.	n.s.	1,2%	3,3%	5,1%	11,8%	11,8%	19,2%
Op. FCF yield	n.s.	2,3%	4,6%	1,9%	14,2%	11,7%	12,9%	21,0%
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	5,71	5,71	5,71
Market cap.	10,8	90,9	265,1	291,1	252,0	211,2	237,9	246,8
Net Debt	-9,8	-16,0	-37,5	-23,5	-13,9	-30,3	-3,1	-43,6
Minorities	0,0	0,1	1,8	11,0	11,7	14,8	15,1	15,7
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	193,3	247,5	216,5
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	526,6	601,7
<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>+11,6%</i>	<i>+14,3%</i>
Adjusted EBITDA	-10,7	-4,9	3,8	16,0	17,4	30,9	39,1	55,7
adjusted EBITA	-16,1	-5,8	3,3	14,0	14,0	26,9	34,9	51,4
<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>+30%</i>	<i>+47%</i>
EBIT	-26,1	-10,1	-6,1	11,4	7,7	26,0	34,5	51,0
Financial result	-1,7	-0,9	-0,3	-49,3	-4,5	-3,4	-5,6	-5,3
Corp. tax	-0,8	-0,4	-1,8	-3,7	-2,1	-6,0	-7,7	-12,1
Minorities+affiliates	0,0	0,3	0,2	0,6	-0,7	-3,1	-0,3	-0,6
Net attributable profit	-28,6	-11,0	-7,9	-40,9	0,5	13,5	21,0	33,0
Adjusted net att. profit	-11,3	-3,7	2,6	9,8	6,5	14,6	22,2	34,5
<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>+52%</i>	<i>+55%</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	39,1	55,7
Theoretical Tax / EBITA	0,0	0,0	-1,0	-3,9	-3,7	-7,1	-8,7	-12,8
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	29,3	41,6
Change in WCR	2,5	6,8	7,9	-4,1	22,5	-0,2	2,7	3,8
Operating FCF	-9,1	1,7	10,5	5,5	35,0	22,6	32,0	45,5
Acquisitions/disposals	-0,4	3,6	14,2	-13,3	-31,9	-5,0	-98,0	0,0
Capital increase/decrease	-3,1	1,9	2,0	-1,4	0,0	1,9	43,7	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	-4,9	-4,9
Published Cash-Flow	-14,1	6,2	21,6	-14,0	-9,6	16,4	-27,2	40,5
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	190,6	187,5
Intangible assets/GW	0,0	0,0	0,0	63,0	61,7	66,7	164,7	164,7
WCR	-10,0	-16,5	-24,4	-20,0	-34,5	-34,3	-37,0	-40,9
Group equity capital	2,1	1,2	12,5	52,6	50,6	66,0	130,7	163,7
Minority shareholders	0,0	0,1	1,8	11,0	11,7	14,8	15,1	15,7
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	-30,3	-3,1	-43,6
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%	7,4%	9,3%
EBITA margin	n.s.	n.s.	2,0%	5,3%	3,4%	5,7%	6,6%	8,5%
Adjusted Net Profit/Sales	n.s.	n.s.	1,6%	3,7%	1,6%	3,1%	4,2%	5,7%
ROCE	n.s.	n.s.	-14,3%	25,4%	23,6%	43,8%	22,7%	35,0%
ROE adjusted	n.s.	n.s.	20,5%	18,6%	12,8%	22,1%	17,0%	21,0%
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	-1,0x	-0,1x	-0,8x

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.

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.

WEAKNESSES

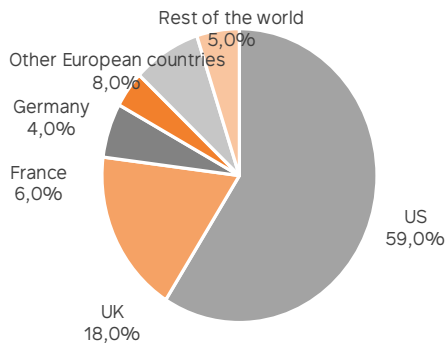
- The €/€ and €/£ trend has an impact on the translation of sales in the consolidated accounts in €. However, with a cost base in \$, the impact on EBITDA is minor.

THREATS

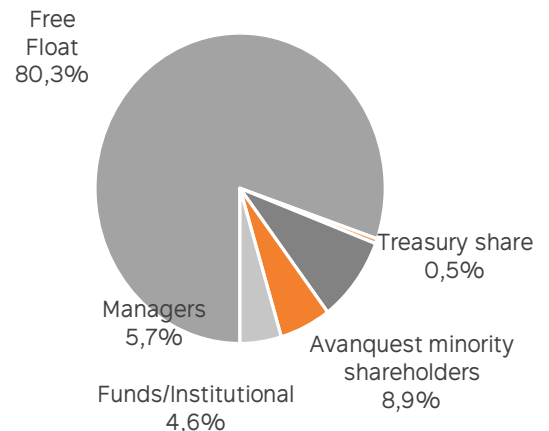
- A still early stage IoT market on which numerous players are present.

ADDITIONAL INFORMATION

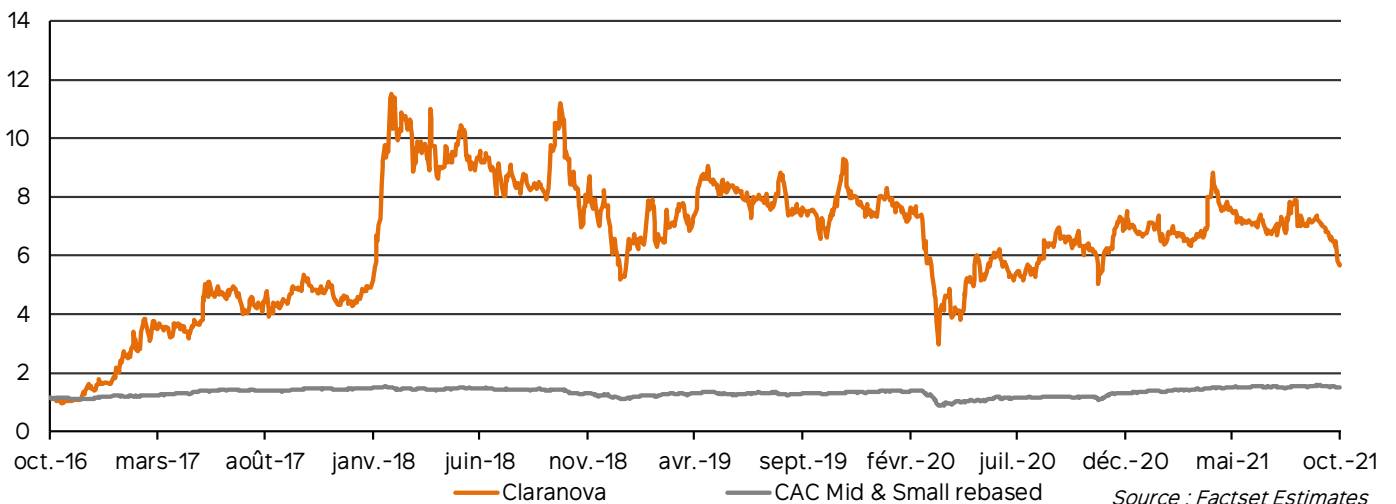
Sales Breakdown 2019/20



Shareholders



SHARE PRICE CHANGE FOR 5 YEARS



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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	08-sept.-21	ACHAT	10,7	+51%
Claranova	Ludovic Martin	03-août.-21	ACHAT	11,5	+46%
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%

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

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MANAGEMENT

Marc-Antoine Guillen
CEO

+33 1 44 88 77 80
maguillen@invest-securities.com

Jean-Emmanuel Vernay
Managing Director

+33 1 44 88 77 82
jevernay@invest-securities.com

Anne Bellavoine
Deputy Managing Director

+33 1 55 35 55 75
abellavoine@invest-securities.com

Pascal Hadjedj
Deputy Managing Director and
Head of Primary Market Sales

+33 1 55 35 55 61
phadjedj@invest-securities.com

EQUITY RESEARCH

Maxime Dubreil
Head of Equity Research

+33 1 44 88 77 98
mdubreil@invest-securities.com

Matthieu Lavillunière, CFA
Deputy Head of Equity Research

+33 1 73 73 90 34
mlavilluniere@invest-securities.com

Stéphane Afonso
Real Estate

+33 1 73 73 90 25
safonso@invest-securities.com

Bruno Duclos
Real Estate

+33 1 73 73 90 25
bduclos@invest-securities.com

Jamila El Bougrini, PhD, MBA
Biotech/Healthtech

+33 1 44 88 88 09
jelbougrini@invest-securities.com

Benoît Faure-Jarrosion
Real Estate

+33 1 73 73 90 25
bfaure-jarrosion@invest-securities.com

Christian Guyot
Consumer Goods

+33 1 80 97 22 01
cguyot@invest-securities.com

Ludovic Martin, CFA
Consumer Goods

+33 1 73 73 90 36
lmartin@invest-securities.com

Jean-Louis Sempé
Automotive

+33 1 73 73 90 35
jlsempé@invest-securities.com

Thibaut Voglimacci
Medtechs / Biotech

+33 1 44 88 77 95
tvoglimacci@invest-securities.com

TRADING FLOOR

François Habrias
Institutional Sales

+33 1 55 35 55 70
fhabras@invest-securities.com

Dominique Humbert
Sales trading

+33 1 55 35 55 64
dhumbert@invest-securities.com

Bertrand Le Mollé-Montanguon
Institutional Sales

+33 1 55 35 55 74
blmm@invest-securities.com

Ralph Olmos
Institutional Sales

+33 1 55 35 55 72
rolmos@invest-securities.com

Kaspar Stuart
Institutional Sales

+33 1 55 35 55 65
kstuart@invest-securities.com

Frédéric Vals
Institutional Sales

+33 1 55 35 55 71
fvals@invest-securities.com

CORPORATE BROKING & ISSUER MARKETING

Thierry Roussilhe
Head of CB & Issuer Marketing

+33 1 55 35 55 66
troussilhe@invest-securities.com

Fabien Huet
Liquidity

+33 1 55 35 55 60
fhuet@invest-securities.com