EDISON

Claranova

Q122 revenue update

Adapting to post-pandemic normal

Software & comp services

Claranova reported Q122 revenue of €88m (-2% y-o-y), slightly better than its end-September expectation of a 5% decline. Now that the transition to subscription licensing is complete, Avanquest is seeing revenue growth accelerate. PlanetArt saw organic revenue declines in the last two quarters, but management is confident of a return to growth in Q222. We have revised our forecasts to reflect FY21 results and the Q1 revenue update.

Year end	Revenue (€m)	EBITDA* (€m)	PBT** (€m)	Diluted EPS** (€)	DPS (€)	P/E (x)
06/20	409.1	17.4	11.3	0.20	0.0	26.1
06/21	471.9	34.2	25.5	0.40	0.0	13.1
06/22e	506.1	39.0	31.3	0.49	0.0	10.7
06/23e	561.1	46.4	37.6	0.62	0.0	8.4

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

FY21: Pandemic has mixed impact

Claranova saw 14% organic constant currency revenue growth in FY21 (PlanetArt +18%, Avanquest flat, myDevices -14%). PlanetArt in particular benefited from lockdowns, although as these were lifted it saw demand moderate from Q421 as consumers shifted to in-person socialising. Avanquest completed the transition to subscription licensing and saw a return to growth from Q321. FY21 group EBITDA grew 96% y-o-y and the margin expanded by 3pp to 7.2%. Q122 revenue declined 2% (10% on an organic, constant currency basis) due to already flagged weakness in the PlanetArt business, but management expects growth to resume from Q222.

Estimates factor in growth acceleration in FY23

We reflect different revenue dynamics across the three divisions in our FY22 forecasts, with an assumption of accelerating growth in FY23. Our FY22 revenue forecast is substantially unchanged, and we have revised up our EBITDA forecast by 3% to reflect better profitability in Avanquest. We reduce our FY22 EPS forecast to reflect dilution from the recent buyout of the Avanquest minority interests. We introduce an FY23 revenue forecast of €561.1m (+11% y-o-y) with an EBITDA margin of 8.3%. While this is below management's target of €700m revenue and a 10% EBITDA margin, we note that the target is based on a combination of organic and acquisitive growth.

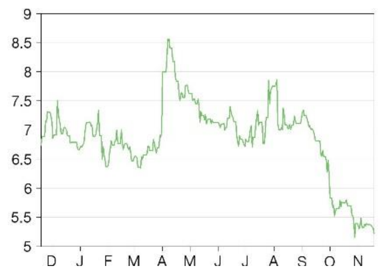
Valuation: Resumption of growth the next trigger

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 €10.46 per share (down from €10.55 when we last wrote). In our view, consistent growth in revenues and margins towards the company's FY23 targets will be key to reducing the discount to peers. In the near term, resumption of growth in PlanetArt from Q222 and sustained profitable growth in Avanquest will be the key triggers.

19 November 2021

Price	**€5.22**
Market cap	**€239m**
	$1.14:€1
Net cash (€m) at end FY21	25.3
Shares in issue	45.7m
Free float	80%
Code	CLA
Primary exchange	Euronext Paris
Secondary exchange	N/A

Share price performance



%	1m	3m	12m
Abs	(7.0)	(26.4)	(21.3)
Rel (local)	(12.5)	(29.9)	(38.2)
52-week high/low		€8.81	€5.16

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

Ordinary and extraordinary general meeting	1 December 2021

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Edison profile page

Claranova is a research client of Edison Investment Research Limited

Investment summary

Bringing innovative products to the mass market

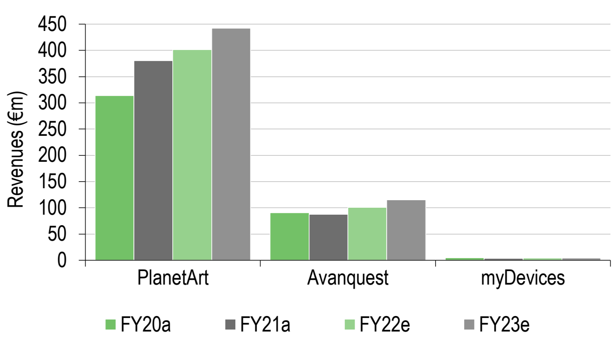
Claranova comprises three distinct businesses taking advantage of high-growth areas of internet and mobile technology: personalised e-commerce (PlanetArt), consumer software (Avanquest) and IoT (myDevices). Key investment considerations are as follows:

- PlanetArt has an asset-light business model, with all printing and some customised product outsourced. This gives it significant flexibility to try out new products and new geographical markets without having to make large upfront investments.
- FreePrints (PlanetArt's photo printing service) is a market leader in the US and the UK.
- Avanquest is on track to show material revenue and profit growth, with further upside potential from targeted acquisitions.
- The group is well funded with a net cash position of €25.3m at the end of FY21. We forecast net cash of €0.9m by the end of FY22 (after buying out the Avanquest minority interests) rising to €35.6m by the end of FY23. This should provide funds to support internal investment in growth and/or targeted acquisitions in the PlanetArt and Avanquest divisions.

Financials and valuation

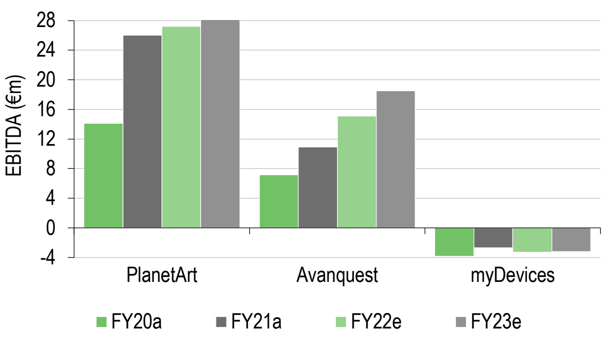
We forecast 7% group revenue growth for FY22 and 11% for FY23. We forecast group EBITDA (pre-IFRS 16) of €39.0m for FY22 (7.7% margin), rising to an 8.3% margin in FY23. With limited capex requirements, this translates into normalised operating margins of 7.3% in FY22e and 7.9% in FY23e, and EPS growth (on a normalised basis) of 23.9% in FY22e and 25.2% in FY23e.

Exhibit 1: Divisional revenues (€m), FY20–23e



Source: Claranova, Edison Investment Research

Exhibit 2: Divisional EBITDA (€m), FY20–23e



Source: Claranova, Edison Investment Research

Taking into account the differing growth trajectories and profitability of each division, as well as the different levels of minority investment in each, we use a sum-of-the-parts approach to valuation and estimate a fair value of €10.46 per share.

Factors influencing growth and profitability

In addition to the usual competitive pressures and the requirement to keep abreast of technology, our forecasts and the share price are sensitive to the pace and success of geographic expansion for PlanetArt, supplier dependence for PlanetArt, changes to search engine policies for the Avanquest business, integration of acquisitions, and the US dollar/euro and sterling/euro exchange rates.

Company description: Online technology developer

Claranova is a group consisting of three businesses focused on mobile and internet technologies with high growth potential. After a long period of restructuring and refocusing the business, the group is demonstrating strong revenue growth and improving profitability.

Background

Claranova was originally founded in 1984 as a consumer software publisher called BVRP Software. In 1996, the company changed its name to Avanquest and listed on Euronext. From 2007 to 2012, it acquired multiple businesses. By 2013, growth had slowed and the company was loss-making – the decision was taken to restructure the business. The company raised €34.5m in equity in June 2015 through the issue of 345m shares at €0.10 per share. Also in FY15, it wrote off €10.7m of debt and converted €2.6m of debt to equity. As part of the restructuring, the company sold off a number of non-core businesses and restructured the remaining businesses into three divisions:

- **PlanetArt** – personalised e-commerce, including online and mobile photo printing and online and mobile personalised gifts (81% of FY21 revenues).
- **Avanquest** – online developer and retailer of consumer-focused software; internet traffic monetisation. It is the world's largest distributor of third-party software (19% of FY21 revenues).
- **myDevices (IoT)** – platform to manage connected devices in the cloud (<1% of FY21 revenues).

In 2017, Claranova organised each division into its own legal entity – this enabled the company to seek out minority investors in each of the divisions in order to accelerate growth. At the same time, it changed the company name from Avanquest to Claranova. Reflecting its growth ambitions, the company has made acquisitions in the gifting and software space over the last three years. In October, the company bought out the minority interests in the Avanquest division – see page 11 for further detail.

Group strategy: Bringing innovative technology to the mass market

Claranova manages and co-ordinates a portfolio of majority-owned interests in digital companies with strong growth prospects. The three divisions share a common vision: empowering people through innovation by providing simple and intuitive digital solutions that facilitate everyday access to the very best of technology. The company provides autonomy for each of its activities, with experienced entrepreneurs running each business, while providing strategic guidance and managing commercial or financial partnerships at the group level. The company has an investment horizon of five to 10 years for each business, depending on its maturity, with possible exit strategies including IPO, merger and partial or entire sale to financial or trade buyers.

The company is focused on driving the growth and profitability of each business. In 2019, it unveiled its ambitious five-year growth plan, which targets group revenues growing from €162m in FY18 to €700m by FY23 and a group EBITDA margin of 10% by FY23, through a combination of organic and acquisitive growth.

PlanetArt is building a personalised e-commerce business. It started by exploiting the popularity of photography on smartphones – its FreePrints business enables consumers to order prints of their photos directly from their smartphones in a simple and cheap fashion. It has shown rapid growth, particularly in the UK and the US, and over the last three years has expanded across Europe. It has grown its product offering to include a wider range of customised products, helped by the acquisitions of online personalised gift providers Personal Creations and CafePress in the US. The business is focused on integrating CafePress and developing a comprehensive personalised e-commerce service that combines the photo printing and gifting businesses.

Avanquest is focused on developing proprietary software. It recently transitioned its licence model for the majority of products from one-off to subscription-based, which temporarily suppressed revenue growth and margins, but we expect positive momentum in both now that this transition is complete.

Finally, the **myDevices** IoT platform is at an early stage of commercialisation. The business is focused on broadening the distribution channels for its technology and is seeing accelerating numbers of installations by end-customers. As this division is still in the early stages of revenue generation, it has not been included in the five-year growth targets for the group.

Management

Claranova is headed up by Pierre Cesarini, chairman & CEO. Mr Cesarini joined the company in May 2013 to effect the restructuring of the group. He is supported by the management team: Jean-Yves Quentel (CFO), Roger S Bloxberg (CEO PlanetArt), Todd Helfstein (president PlanetArt), Eric Gareau (CEO Avanquest) and Kevin Bromber (CEO myDevices).

The group is overseen by a board made up of seven members: Pierre Cesarini, Chahram Becharat, Viviane Chaine-Ribeiro, Christine Hedouis, Francis Meston, Luisa Munaretto, and Jean Loup Rousseau.

PlanetArt: Personalised e-commerce

Historically, PlanetArt focused on providing photo printing services to consumers. With the acquisition of Personal Creations in August 2019, the business widened its offering into the market for mass customisation of consumer products, or what it calls ‘personalised e-commerce’. The division aims to provide easy-to-use services with a focus on value for money. The longer-term goal is to fully integrate photo printing and customised gifts to provide a comprehensive personalised e-commerce service.

Photo printing: From standard prints to customised products

Several years ago, the company identified photo printing as an area ripe for innovation. It entered the market with Web-to-Print (a number of websites that offer printing services) before launching FreePrints in 2013. FreePrints is focused on printing photos using apps on mobile devices. The two businesses share the same fulfilment infrastructure and marketing teams. The majority of the division’s revenues are currently generated in the US and the UK, with a growing contribution from continental Europe.

FreePrints: Exploiting the shift in photography to phones

The FreePrints app (called **FreePrints**) is available for use on Apple and Android mobile devices in 15 countries. The app allows customers to print photos that are saved on the mobile device or stored on popular websites such as Facebook, Instagram, Flickr and Dropbox. The offer varies by country. For example, in Europe, customers are offered 500 free prints per year, or 45 free prints per month, for which they pay postage only. In the UK, this works out at up to £4 per order; in Europe, it costs up to €6. In the US, the offer is for 1,000 free prints per year, or 90 per month. The free prints offer is for prints of 6” x 4”/15cm x 10cm – if a customer wants larger prints, different-shaped prints (eg square), borders, duplicates or different finishes, these are available for an additional charge. Once an order is placed, customers are then offered extra printing services, such as customised mugs, fridge magnets or T-shirts. Building on the success of the FreePrints app, additional apps have since been launched:

- In early 2016, the business launched the **FreePrints Photobooks** app, which offers a free 20-page softcover photobook every month, again for the cost of postage only (UK c £6, Europe €8). Upgrades are available for larger formats, more pages and for hardback covers. This is available in 13 countries.
- In FY19, PlanetArt launched the **FreePrints Photo Tiles** app. This enables customers to order one free Photo Tile (an 8” x 8” canvas picture suitable to stick on the wall) per month, again for the cost of postage (£5.99 in the UK). This has so far been launched in 11 countries.
- In 2019, the **FreePrints Cards** app was launched in the US and the UK. Customers can order one free greetings-style postcard per month and pay just 85p to cover delivery. They can upgrade to a standard card format with envelope for £1.99.

All of the apps charge for printing on a per-job basis with no subscription required. Overall, 70–85% of monthly revenues come from returning customers; the average order value is in the range €7–8. Through the acquisition of Personal Creations (see below), PlanetArt also offers the apps created by Sincerely.com: ink cards, easytiles and postagram. There have been more than 55 million downloads of the FreePrints app and nearly 3.5 billion photos printed to date.

Geographical expansion ongoing

In FY19, the FreePrints app was launched in Belgium, India and the Netherlands, in FY20, in Austria and Poland, and in FY21 in Luxembourg. In all cases, the photo printing app is launched first and, depending on demand, photobook, tile and card apps are introduced later.

Focus on customer service to maintain high ratings and rankings

FreePrints aims to maintain its app store ratings at as close to 5/5 as possible as this is a key factor in consumers’ decision-making when downloading apps. Currently, it is rated at 4.8/5 on the Apple App Store and 4.9/5 on Google Play. This compares favourably with competitors which receive lower average review scores on significantly fewer reviews. The business also aims to maintain high rankings within both app stores, as this also influences consumers’ propensity to download.

Web-to-Print: Most orders originate from mobile browsers

Web-to-Print was the original photo printing service that has been offered by the company since the acquisition of SimplytoImpress in 2010. The business operates through four dedicated websites and generates most of its business in the US.

- SimplytoImpress: high style cards and stationery products with text and photos.
- PhotoAffections: wide variety of personalised photo products.
- CanvasWorld: turns photos into canvas wall art.
- MyCustomCase: personalised cases for mobile phones, tablets and other devices.

Although called Web-to-Print, the majority of orders come from mobile browsers (rather than mobile apps). The business is very seasonal, with a large volume peak in November to December covering Thanksgiving and Christmas. This business typically has a higher order value ($70–80) than the FreePrints business. Customers tend to order less frequently than for FreePrints, typically once a year.

Acquiring to enter the personalised gift market

In August 2019, Claranova acquired Personal Creations, the online gifts business of FTD Companies (FTD), for $18.1m in cash. Personal Creations operates two websites in the US (www.personalcreations.com, www.gifts.com). It differs from the original PlanetArt services in that it does not depend on customer photos for personalisation. When acquired, Personal Creations did not have a mobile app. PlanetArt focused on integrating Personal Creations during FY20 and it now shares the PlanetArt back office. Personal Creations was launched in the UK in H121 in a test phase.

In 2020, the business launched the **FreePrints Gifts** app to provide a free customised gift each month, in the same manner as the other FreePrints apps. Users can also access a large catalogue of products that they can personalise. The app is currently only available in the US but the business intends to launch this app in Europe in due course. In FY21, the app was downloaded 1.2 million times.

In September 2020, PlanetArt acquired the assets of CafePress from Shutterfly for an undisclosed amount. CafePress is an online personalised product company headquartered in Kentucky, US. CafePress products are developed almost entirely by third-party content contributors and sold via CafePress websites in the US, the UK, Canada and Australia as well as via custom stores that can be set up by any user. CafePress is a licensee of hundreds of high-profile properties including Hasbro and Marvel. We see scope for Claranova to create cost synergies by integrating CafePress with PlanetArt's back office functions and possibly using the Personal Creations manufacturing facility. PlanetArt does not currently operate in Canada or Australia so CafePress could offer an entry into those markets.

In July 2021, PlanetArt acquired certain assets of Minneapolis-based *I See Me!* from the McEvoy Group (www.iseeme.com). *I See Me!* publishes more than 60 personalised children's books as well as other products for children such as colouring books, puzzles and growth charts. These can be customised via its website with information such as the child's name and birthday. *I See Me!* had previously worked with Personal Creations, and PlanetArt highlighted the potential to leverage its broader product catalogue to create other customisable products for *I See Me!* customers. Financial details of the transaction were not disclosed.

Ultimately, the division wants to offer a comprehensive personalised e-commerce service, where consumers can buy a wide variety of items that can be customised in some way. This would not be restricted to gifting, but would also include items for consumers' own use, such as clothing or household items.

Personalised gifts present significant opportunity

Since the advent of the smartphone more than 10 years ago, consumers have increasingly shifted from taking photos using digital cameras to using their phones for the majority of their photography. This shift is only likely to continue as smartphone manufacturers constantly improve the camera technology on phones. Mobile apps for photo printing are designed to make the process of printing out the photos taken by mobiles simple and cheap.

In 2018, Future Market Insights estimated that the market for global photo printing and merchandise was worth $16.9bn in 2018 and is likely to grow at a CAGR of 2.6% to reach $22bn by 2028. This masks the shift in distribution channels – in 2018 c 49% of the value was expected to be generated from online services, forecast to grow to 55% by 2028, which implies a CAGR of 3.9%. Within this category, we expect a continuing shift from web-based to mobile app-based printing.

The global market for personalised gifts is much larger than the photo printing market. A Research and Markets report from 2020 estimates that the market was worth $25.8bn in 2020 (of which $7.6bn is in the US) and will grow at a CAGR of 7.7% over the seven years to 2027. Non-photo personalised gifts (c two-thirds of the market this year) are expected to grow at a CAGR of 7.1% over the same period.

A competitive market with a shifting landscape

FreePrints competes against large, multinational companies such as Snapfish, Photobox and CEWE, as well as local players such as Lalalab in France and Bob Books in the UK. **Web-to-Print** competes against services from larger online players such as Shutterfly, Photobox and Vistaprint, as well as services offered by pharmacies and retailers such as Walmart, Walgreens, Boots and Tesco, and by specialist photography companies such as Snappy Snaps and Jessops.

We note that the printing business has no legacy film printing services and does not own any printing or retail facilities, unlike many of its competitors. This affords it the flexibility to enter new markets at lower cost and with less risk.

In the **personalisation** market, Claranova competes against greetings card businesses (American Greetings, Card Factory, Hallmark Cards, funkypigeon.com, Moonpig.com), photo printing companies such as Cimpress and Snapfish, specialist providers (eg Not On The High Street in the UK, society6 in the US, Minted in the US, Personalization Mall in the US, Things Remembered in the UK/US, Zazzle in the US) and e-commerce retailers such as Etsy.

Business model

Sales strategy and customer retention

The division targets revenue growth from a combination of growing the customer base and encouraging the existing customer base to order more frequently and buy a wider range of products. The acquisitions of Personal Creations and CafePress bring a whole new range of products that could be sold into FreePrints, and vice versa.

Advertising costs are almost completely variable, with spend being dialled up or down depending on the cost of advertising at any given time, and the availability of cash. The division's experience is that this has a direct relationship with the number of new users acquired.

To win new customers, the division focuses its advertising on Facebook, Google Ads, TikTok, Twitter and other channels. Occasionally, the company buys TV advertising, and during the pandemic took advantage of much cheaper TV ad rates. To retain and encourage existing customers to spend, the business sends app notifications and emails with special offers and runs a loyalty programme. It also has a 'refer a friend' scheme. The business makes use of the FreePrints customer base to sell the Photobooks, Photo Tiles, Cards and Gifts services.

Logistics: Outsourced printing; some in-house customisation

The division outsources all photo printing to one printer in the US, one in the UK and one in the Czech Republic. As the mobile app service is less seasonal, it can provide good volumes through the year, not just at Christmas time. During the Christmas peak, it can push delivery out from five to 10 days to ensure stable pricing. The company has built the IT systems to manage high volumes and if a new country is added, the system can manage localisation.

Personal Creations has a facility in Illinois, US, where items are customised. CafePress does not have any manufacturing facilities, outsourcing product manufacturing and customisation. As the business launches personalised e-commerce outside of the US, the intention is to work with manufacturing partners rather than vertically integrating.

Minority investment to fund growth

In September 2017, a group of investors including Cap Investissement, the family office of Groupe Riccobono (a French industrial printer), invested €11.4m in PlanetArt in return for a 7.1% stake. An additional €0.8m was invested in April 2018, for a total minority investment of 7.7%.

PlanetArt Financials: Marketing drives strong growth

The business has grown rapidly since launch and moved into EBITDA profitability in FY18. Sales growth has been driven by geographic and product expansion and more recently by the acquisitions of Personal Creations and CafePress. Cost of sales consists of printing costs, the cost of items such as mugs or T-shirts, shipping costs and payment processing fees. Operating costs include variable costs such as marketing spend, and others that are more fixed in nature: support, marketing staff (staff in the US as well as several people in Paris to manage European marketing), developers, general admin and share of corporate costs (based on revenues). We note that the business hires temps to cover increased support demands during the seasonal peak of the Web-to-Print business in November and December, which results in higher staff costs in H1.

Exhibit 3: PlanetArt quarterly revenues, Q119–Q122

€m	Q119	Q219	Q319	Q419	Q120	Q220	Q320	Q420	Q121	Q221	Q321	Q421	Q122
Revenues	30.4	67.4	34.9	43.4	48.5	137.7	49.7	78.1	69.1	164.6	71.8	74.8	63.9
y-o-y growth	45%	40%	49%	48%	60%	104%	42%	80%	43%	20%	45%	-4%	-8%

Source: Claranova

Exhibit 4: PlanetArt annual forecasts

€m	FY18	FY19	FY20	FY21	FY22e	FY23e
Revenues	122.0	176.1	314.0	380.3	401.4	441.9
y-o-y growth	37%	44%	78%	21%	6%	10%
EBITDA	6.4	10.9	14.1	26.0	27.2	31.1
EBITDA margin	5.2%	6.2%	4.5%	6.8%	6.8%	7.0%

Source: Claranova, Edison Investment Research

In FY21, divisional revenues grew 21% y-o-y, or 12% on an organic basis. The strength of the euro versus the dollar reduced reported growth rates: constant currency growth was 28% or 18% on an organic basis. Revenue in Q421 declined 7% on a constant currency, organic basis (4% reported decline) as volumes dropped post lockdown. In Q122, revenue declined a further 17% (8% reported) through a combination of lower online activity and Apple's new privacy rules (see Post-lockdown hangover). The division achieved an EBITDA margin of 6.8% in FY21, up from 4.5% in FY20, as the company spent less on customer acquisition and Personal Creations moved to operational profitability. We note that this included a €4.2m benefit from the forgiveness of a PPP loan in the US, so the underlying margin was more like 5.7%.

We forecast a return to growth in Q222, the busiest quarter for PlanetArt, assuming that the company manages to adjust its customer acquisition strategy to compensate for the privacy restrictions in Apple's iOS 14.6 update. We expect growth to accelerate in H222 due to weaker comparison periods (lockdowns started to lift in the first half of CY20, particularly from the spring). We expect profitability to increase further, partly due to higher volumes and partly due to management of marketing costs.

Avanquest: B2C focus

Avanquest is a consumer-focused online software business operating in three key verticals (photo editing, pdf, security/privacy). As well as selling software online, Avanquest monetises the traffic that visits its online properties via advertising, commission and transaction-based fees.

A long history as an online software retailer

Claranova has been developing and selling consumer-focused software since the company was founded in the 1980s. It currently sells a mixture of third-party software and own-IP software, with a focus on building up its proprietary software business. Up to the end of FY18, the company sold products that broadly fell within one of the following four categories:

- operating tools, eg PC clean-up, anti-virus;
- office tools, eg PDF-based software;
- interior/exterior design, eg architecture software; and
- photo-related, imaging.

Software was typically from less well-known brands and does not include household names such as Adobe, Microsoft or Norton. In July 2018, Avanquest acquired 50.1% of a group made up of three Canadian businesses: Adaware, Lulu Software and Upclick. All software IP is proprietary. The acquired businesses have kept their existing business models and brands. We detail below the products offered by each business:

- **Adaware:** H20 (software installer tool), Web Companion (browser security tool), anti-virus software, ad-blocking software.
- **Lulu Software:** Soda PDF publishing software – converts documents to PDF and vice versa.
- **Upclick:** e-commerce software – platform providing sales funnel optimisation and monetisation for merchants of digital goods and software.

Product strategy – focus on developing own IP

While Avanquest continues to sell third-party software, the focus now is very much on building the proprietary software side of the business.

The legacy business used to have more in-house developers but refocused many of them on PlanetArt to develop the photo-printing services. The division therefore has a number of legacy products and uses freelancers to keep them up to date. It also has a number of niche products where it has looked at the most commonly used functionality of popular software such as Photoshop, and developed a simplified version so that a consumer can use the software without being an expert in eg InPixio. As noted earlier, the acquired businesses own their software IP.

Product development is now focused around three core areas based on the main proprietary solutions:

- **Pdf:** Soda PDF;
- **Photo editing:** InPixio; and
- **Security/privacy:** Adaware.

During FY21, Avanquest acquired PDFescape to strengthen its pdf product line. PDFescape has integrated Soda PDF technology into its desktop solution since 2016 and has more than a million visitors to its site each month. No financial details were disclosed, but we estimate that it was not material in terms of revenue.

Business model

The division generates revenues in four different ways:

- **Paid-for products**. While legacy software was mainly sold on a one-off licence basis, where the customer is likely to need to use the software on an ongoing basis, the business has moved products to a subscription model, eg OneSafe PC Cleaner. Where a product is more suited to a one-off purchase as they tend to be linked to one-off projects, eg Architect 3D, they will continue to be sold as a one-off licence. Soda PDF was based on a one-off licence fee but has been converted to a subscription licence model.
- **Freemium products/services**. The legacy business offers a few freemium products, including Photo Editor by InPixio and InstaCards. Adaware offers its anti-virus software on a freemium basis; the paid version of the software is subscription-based.

- **Advertising/traffic-based**. Adaware's Web Companion tool is a browser add-in for secure browsing, ad blocking and identifying phishing sites. As the software diverts browsers such as Firefox to search services provided by Google or Bing, Web Companion earns a revenue share based on the searches pushed to these search providers. Adaware's software installer tool is used by websites that offer software downloads. When a consumer decides to download software, they first download a small file onto their PC. Once clicked on, an executable file runs to fully download the software. In the process, the user is prompted to accept and install other complementary software products. If the user accepts any of these additional software products, Adaware will earn a commission from the third-party software provider.
- **Transaction-based.** Upclick sells its services on a business-to-business basis. Merchants sign up to use the platform on a per-transaction basis.

Distribution: Mostly web-based

The business sells across Europe and North America through the Avanquest and Micro Application websites, affiliates (either via a traditional distributor model, or paid on a revenue share of units sold) and sub-licensing. The business only has limited retail activity in Germany and a larger presence in the US (combined making up less than 20%of divisional revenues and decreasing).

Consolidating a fragmented market

The market for consumer software is made up of:

- solutions sold by well-known software companies such as Microsoft (Office suite), Adobe (Acrobat PDF, Photoshop) and Symantec (Norton anti-virus), which typically make the majority of their money from enterprise customers;
- a large number of very small independent software vendors, which often struggle to market their products; and
- a small number of larger companies specialising in online consumer software sales, typically leveraging their marketing expertise to reach a wide audience.

Avanquest falls into this last category, along with companies such as Avast, Kape, Foxit Software and Nitro Software. Avast and Kape both sell cybersecurity and PC hygiene tools and have been actively buying software providers in the space. Foxit and Nitro both sell pdf software.

Growth strategy: Build a recurring revenue model

The company views one of the division's key skills as marketing, with unique expertise in acquiring customers online that was bolstered by the Canadian acquisitions. Using the acquired businesses' expertise in generating and monetising web traffic, the division has already managed to return to organic growth. The acquisitions also marked a shift in the division's strategy towards developing proprietary software, which offers higher margin potential.

The business is keen to increase the level of recurring revenue, mainly through offering software on a subscription basis, and is already seeing the benefits of this shift: recurring revenues made up 58% of divisional revenues in FY21 compared to 46% in FY20. The division would also consider additional acquisitions, targeting profitable companies with high levels of web traffic.

Avanquest financials: Back on a growth track

Exhibit 5 shows the quarterly revenue progression over the past three years; this business sees a seasonal peak in Q2 (ie calendar Q4). Costs of sale include the cost of products (ie royalties paid to third-party software providers), bank fees, distribution costs for physical goods and server hosting. Operating costs include advertising, marketing, administrative and R&D. The division operates with single IT, marketing and finance teams.

In FY21, Avanquest reported a small revenue decline of 3% (all organic) and revenue was flat on a constant currency basis. The FY21 EBITDA margin of 12.4% grew from the 7.9% achieved in FY20 as the transition of customers to a subscription licensing model was completed. Management has suggested that 20% pa growth rates for products such as pdf should be achievable and ultimately EBITDA margins in the region of 20% should be attainable. We note that Q122 revenue grew by 18% y-o-y (14% in constant currency), showing an acceleration in growth compared to 2% in Q421, in our view reflecting underlying growth in demand now that the switch to subscription licensing is complete. Our forecasts reflect mid-teens revenue growth for FY22 and FY23. We assume that this growth translates to EBITDA margin expansion over the forecast period.

As a result of the acquisitions in 2018, there were significant minority interests in the division. These were bought out at the end of October (see Simplifying the corporate structure for detail). The vendors remain with the business and are Claranova shareholders and are therefore motivated to drive the performance of the division.

Exhibit 5: Avanquest quarterly revenues, Q119–Q122

€m	Q119	Q219	Q319	Q419	Q120	Q220	Q320	Q420	Q121	Q221	Q321	Q421	Q122
Revenues	16.9	23.2	20.4	22.5	20.8	25.1	22.1	22.3	19.5	22.4	23.0	22.9	23.0
y-o-y growth	101%	105%	137%	200%	23%	8%	8%	-1%	-6%	-11%	4%	2%	18%

Source: Claranova

Exhibit 6: Avanquest divisional forecasts

	FY18	FY19	FY20	FY21	FY22e	FY23e
Revenues	35.8	83.0	90.3	87.7	100.8	115.2
y-o-y growth	-7%	132%	9%	-3%	15%	14%
EBITDA	0.7	10.3	7.2	10.9	15.1	18.5
EBITDA margin	2.0%	12.4%	7.9%	12.4%	15.0%	16.1%

Source: Claranova, Edison Investment Research

myDevices: Simplifying IoT for SMEs and corporates

Claranova has developed a management platform for IoT applications. Its **IoT in a Box** turnkey solution is designed to enable businesses and consumers to monitor assets remotely.

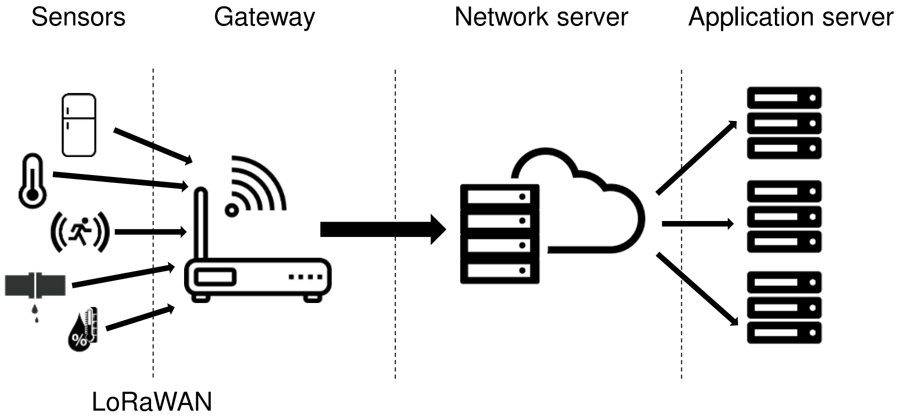
myDevices monetises the platform by selling its **IoT in a Box** solutions on a B2B basis through telecom operators, system integrators and other resellers. The standard IoT in a Box solution comprises a gateway (the link to the cellular/LoRa network or ethernet), sensors (positioned as required on the customer's premises (send data back to the gateway on a regular basis using the LoRaWAN protocol) and apps (mobile or web-based to control the network, to monitor the network and to provide alerts as required). Exhibit 7 shows how a typical IoT network is structured.

Designed for easy installation and use

The solution is designed to be plug-and-play. The user first downloads the myDevices app, then plugs in the gateway and scans a QR code on the gateway, which registers it on to the network. Then all sensors are scanned via QR code to add them to the network and positioned where necessary. Within the app, the user then edits operating ranges for each sensor, so that SMS and/or email alerts can be sent if any sensor operates outside of the target range. The user can schedule regular reports and can access detailed sensor history via the app. The app also provides the ability to visualise the location of every sensor.

Customers can ask for the IoT in a Box solution to be customised, using the gateway and sensors of choice. myDevices works with a number of hardware suppliers to ensure a wide range of gateways and sensors are available to suit every requirement.

Exhibit 7: IoT network



Source: Edison Investment Research

myDevices has already developed white-label solutions for applications such as temperature and humidity monitoring, property monitoring, air quality monitoring, rodent control and personal safety with multiple versions available for a variety of different users, eg restaurants, supermarkets, commercial buildings, holiday rentals, perishable food manufacturing and healthcare. Customers include Chevron, Chick-fil-A, Engie, Hilton, P&G, Rio Tinto and Sodexo. The business has developed seven vertical-specific websites to help market the solutions.

Exhibit 8: Vertical specific websites

Application	Website	Target audience
Cold chain management	SimplySense.com	Healthcare, food service, cold chain
Security	PushandProtect.com	Hotels, universities
	PushandCall.com	Hospitals (nurses)
	LockdownAlert.com	Schools, universities
Occupancy & space utilisation	Countario.com	Large venues, retail, workspace
Predictive maintenance	PredictAlert.com	Property managers
Water conservation	WaterSaveSensor.com	Property managers

Source: Claranova

LoRa focus attracts investment

The LoRa radio frequency protocol was designed by chip-maker Semtech, which then founded the LoRa alliance in 2015. The LoRa alliance is dedicated to the standardisation of low-power, wide area networks and the global promotion of the LoRaWAN open standard. myDevices is a member of the LoRa alliance, alongside 500 other members including chip manufacturers, gateway and sensor manufacturers, software companies, system integrators and telecom companies. In 2017, Semtech invested $3m in myDevices in return for a 13% stake and invested a further $3m in 2019. In July 2020, both Claranova and Semtech invested further in myDevices for an undisclosed amount.

Strong growth market; multiple platform providers

A large proportion of the IoT market is dominated by enterprises spending on applications in the manufacturing, automotive, logistics, utilities and smart cities sectors. The consumer IoT market includes applications such as wearables (eg Fitbit, Apple Watch) and domestic automation (eg Nest temperature controls, Ring home security). myDevices is positioned somewhere between the two markets, with a focus on simplifying the use of IoT for SMEs.

Business model

As this is effectively a start-up business, myDevices is taking a flexible approach to monetising its technology. It is working with mobile network operators (MNOs), distributors, resellers, system integrators and other partners.

- **MNOs:** myDevices works with Sprint/T-Mobile in the US and Dr Peng in China (which also has a 16% stake in myDevices). MNOs offer IoT applications to their SME and consumer subscribers, which are typically sold as add-on services on monthly contracts.
- **Distributors/resellers:** myDevices works with Ingram Micro (a global technology distributor with 200,000 resellers) and Alibaba Cloud (myDevices will market and sell IoT in a Box through Alibaba Cloud's existing reseller distribution network).
- **Technology partnerships:** ARM and myDevices have agreed to combine IoT in a Box with ARM's Pelion IoT platform; the ARM and Microsoft partnership allows users to onboard LoRaWAN devices to send data instantly to Microsoft Azure, enabling advanced analytics and business intelligence.

myDevices: Financials

Exhibit 9 shows the quarterly revenue progression over the past three years. As customers pay to use myDevices on a per-device subscription basis, revenues are building up slowly, but as customers become familiar with the platform, the expectation is that they will want to use the service for more devices in more locations. Revenue in FY19 and FY20 included one-off revenues from the Sprint relationship.

Headcount includes support engineers as well as staff to manage the relationships with MNOs and distributors. The company does not anticipate growing headcount materially unless there is a significant uplift in demand. The division uses Amazon Web Services for storage of all data uploaded to the platform. We model a small increase in the cost base and flat revenue in FY22, with a small increase in revenue in FY23 as distributor partners win more customers and existing customers expand their usage.

Exhibit 9: myDevices quarterly revenues, Q119–Q122, €m

	Q119	Q219	Q319	Q419	Q120	Q220	Q320	Q420	Q121	Q221	Q321	Q421	Q122
Revenues	0.9	0.8	0.9	0.6	0.5	1.7	1.3	1.4	1.0	1.2	0.8	0.9	0.9
y-o-y growth	50%	100%	-25%	-60%	-44%	113%	39%	125%	100%	-32%	-34%	-35%	-8%

Source: Claranova

Exhibit 10: myDevices annual forecasts

€m	FY18	FY19	FY20	FY21	FY22e	FY23e
Revenues	3.7	3.2	4.8	3.9	3.9	4.0
y-o-y growth	32%	-14%	50%	-20%	2%	2%
EBITDA	(3.1)	(5.2)	(3.8)	(2.7)	(3.3)	(3.2)
EBITDA margin	-84.9%	-163.1%	-80.0%	-70.1%	-83.7%	-80.0%

Source: Claranova, Edison Investment Research

Sensitivities

In addition to the usual competitive pressures and the requirement to keep abreast of technology, our forecasts and the share price are sensitive to the following factors:

- **FreePrints' geographical expansion:** FreePrints has launched in several countries over the last few years and is likely to expand into other new countries. The pace of customer adoption in these new geographies is unknown.
- **Supplier dependence:** in Europe and the US, PlanetArt relies on two printing suppliers. Any issues with these relationships could affect the profitability of the business. As the business

expands into personalised gifts in Europe, it is likely to outsource manufacturing, which will increase supplier dependence.

- **Acquisition risk:** the recent acquisitions of Personal Creations and CafePress introduce integration risk.
- **Changes to search engine and app store policies:** several products within Avanquest rely on search engines to generate revenues. Changes to these search engines' policies could reduce the ability to earn revenues. Similarly, PlanetArt relies on targeted advertising for customer acquisition; recent changes to Apple's privacy rules have made targeted customer acquisition more difficult.
- **Currency:** Claranova's revenue is exposed to currency translation movements, as a large proportion is generated in US dollars, and to a lesser extent sterling. Across the three divisions, there is a high level of natural hedging, with the majority of costs incurred in the country in which revenues are generated. In FY21, the weakening of the dollar versus the euro reduced revenues by €10m and EBITDA by €2m.

Financials

FY21 results review

Claranova reported Q421 and FY21 revenue on 4 August – see Simplifying the corporate structure for details on divisional performance at the revenue level. Revenue grew 15% y-o-y on a reported basis, 21% on a constant currency basis and 14% on an organic, constant currency basis. The company had previously indicated that it expected to nearly double EBITDA in FY21 compared to FY20. Reported EBITDA (before accounting for lease payments according to IFRS 16) of €34.2m was 96% higher y-o-y and marginally below our €34.6m forecast (see Exhibit 11). Adding back lease payments of €3.6m in the year, EBITDA according to IFRS 16 was €37.8m. Normalised operating profit of €32.3m was 105% higher y-o-y and €1m lower than our forecast due to higher-than-expected depreciation and slightly higher operating costs. Net finance costs of €6.8m were higher than our €5.6m forecast, mainly due to higher-than-expected foreign exchange losses. These were the main reasons for normalised diluted EPS 9.6% below our forecast. The company closed the year with net cash of €25.3m, 4% higher than we forecast and 82% higher y-o-y.

Q122 revenue update

Management had already commented on the slowdown in volumes in PlanetArt (see Post-lockdown hangover) and expected a group revenue decline of 5% y-o-y in Q122. On 9 November, Claranova reported Q122 revenue of €88m, down 2% on a reported basis and down 10% on an organic, constant currency basis. While Avanquest growth accelerated to 18% y-o-y (14% constant currency), PlanetArt revenue declined 8% y-o-y to €64m and was 17% lower on an organic, constant currency basis (ie excluding CafePress and *I See Me* revenue). myDevices revenue declined 8% y-o-y (down 7% in constant currency).

Outlook and changes to forecasts

Our FY22 forecasts are broadly unchanged, other than to increase our profitability forecasts for Avanquest. We have slightly increased our depreciation forecast and we have factored in the dilution from the issue of shares to the Avanquest minority interests, reducing our normalised diluted EPS forecast. We introduce FY23 forecasts that factor in revenue growth of 10.9% and a company adjusted EBITDA margin of 8.3%. The company continues to work towards its target of revenue of €700m and an EBITDA margin of 10% for FY23, noting that this is likely to be achieved through a combination of organic growth and acquisition.

Exhibit 11: FY21 results highlights

€m	FY21e	FY21a	Diff	y-o-y
Revenues	**471.9**	**471.9**	**0.0%**	**15.4%**
EBITDA	38.2	37.8	(0.9%)	83.5%
EBITDA margin	8.1%	8.0%	(0.1pp)	3.0pp
EBITDA - pre IFRS 16	**34.6**	**34.2**	**(1.1%)**	**96.1%**
EBITDA margin - pre IFRS 16	***7.3%***	***7.2%***	***(0.1pp)***	***3.0pp***
Normalised operating profit	33.3	32.3	(2.9%)	104.5%
Normalised operating profit margin	7.1%	6.8%	(0.2pp)	3.0pp
Reported operating profit	24.7	24.8	0.6%	218.1%
Reported operating margin	5.2%	5.3%	0.0%	3.4pp
Normalised PBT	27.6	25.5	(7.7%)	125.8%
Reported PBT	19.0	18.0	(5.4%)	445.8%
Normalised net income	17.6	15.8	(9.9%)	98.0%
Reported net income	10.7	10.4	(2.5%)	1,982.2%
Normalised basic EPS (€)	0.45	0.40	(9.9%)	97.3%
Normalised diluted EPS (€)	**0.44**	**0.40**	**(9.6%)**	**98.7%**
Reported basic EPS (€)	0.27	0.26	(2.5%)	1,974.6%
Net debt/(cash)	(24.2)	(25.3)	4.4%	82.0%
Divisional revenues				
PlanetArt	380.2	380.3	0.0%	21.1%
Avanquest	87.9	87.7	(0.2%)	(2.9%)
myDevices	3.8	3.9	0.8%	(19.8%)
Total	471.9	471.9	0.0%	15.4%
Divisional EBITDA				
PlanetArt	27.8	26.0	(6.5%)	84.1%
Avanquest	10.1	10.9	7.9%	52.2%
myDevices	(3.3)	(2.7)	(18.9%)	(29.7%)
Total EBITDA – pre-IFRS 16	34.6	34.2	(1.1%)	96.1%

Source: Claranova, Edison Investment Research

Exhibit 12: Changes to forecasts

€m	FY22e				FY23e	
	Old	New	Change	y-o-y	New	y-o-y
Revenues	**505.6**	**506.1**	**0.1%**	**7.2%**	**561.1**	**10.9%**
EBITDA	41.5	42.6	2.7%	12.7%	50.0	17.3%
EBITDA margin	*8.2%*	*8.4%*	*0.2%*	*0.4%*	*8.9%*	*0.5%*
EBITDA - pre IFRS 16	**37.9**	**39.0**	**3.0%**	**14.1%**	**46.4**	**18.9%**
EBITDA margin - pre IFRS 16	*7.5%*	*7.7%*	*0.2%*	*0.5%*	*8.3%*	*0.6%*
Normalised operating profit	36.6	37.1	1.4%	14.9%	44.6	20.1%
Normalised operating profit margin	*7.2%*	*7.3%*	*0.1%*	*0.5%*	*7.9%*	*0.6%*
Reported operating profit	33.3	34.0	2.2%	37.1%	41.5	22.0%
Reported operating margin	*6.6%*	*6.7%*	*0.1%*	*1.5%*	*7.4%*	*0.7%*
Normalised PBT	30.8	31.3	1.7%	22.9%	37.6	20.0%
Reported PBT	27.5	28.2	2.6%	56.8%	34.5	22.2%
Normalised net income	21.9	22.4	2.1%	41.3%	28.5	27.3%
Reported net income	19.4	20.0	3.2%	92.1%	26.1	30.6%
Normalised basic EPS (€)	0.53	0.50	(6.0%)	23.7%	0.62	25.1%
Normalised diluted EPS (€)	**0.52**	**0.49**	**(5.9%)**	**23.9%**	**0.62**	**25.2%**
Reported basic EPS (€)	0.47	0.44	(5.0%)	68.1%	0.57	28.4%
Net debt/(cash)	**3.3**	**(0.9)**	**N/A**	**N/A**	**(35.6)**	**N/A**
Divisional revenues						
PlanetArt	400.7	401.4	0.2%	5.5%	441.9	10.1%
Avanquest	100.8	100.8	(0.0%)	14.9%	115.2	14.3%
myDevices	4.0	3.9	(2.0%)	1.8%	4.0	2.0%
Total	505.6	506.1	0.1%	7.2%	561.1	10.9%
Divisional EBITDA						
PlanetArt	27.5	27.2	(1.1%)	4.6%	31.1	14.3%
Avanquest	13.6	15.1	11.0%	38.5%	18.5	22.5%
myDevices	(3.2)	(3.3)	2.5%	21.5%	(3.2)	(2.4%)
Total EBITDA - pre IFRS 16	37.9	39.0	3.0%	14.1%	46.4	18.9%

Source: Edison Investment Research

Valuation

In Exhibit 13, we show Claranova's valuation and operating metrics versus four peer groups: personalised e-commerce companies, online software publishers, IoT companies and French software companies. As Claranova is a combination of the first three groups and there are material minority investors in each business, we use a sum-of-the-parts approach to fully capture the value of the group.

Exhibit 13: Peer financial and valuation metrics

	Quote	Market	Rev growth (%)		EBITDA margin (%)		EBIT margin (%)		EV/Revs (x)		EV/ EBITDA (x)		P/E (x)	
	ccy	cap (m)	CY	NY	CY	NY	CY	NY	CY	NY	CY	NY	CY	NY
Claranova	**EUR**	**246**	**7.2**	**10.9**	**8.4**	**8.9**	**6.7**	**7.4**	**0.4**	**0.4**	**5.0**	**4.3**	**10.6**	**8.5**
Personalised e-commerce														
PlanetArt			*5.5*	*10.1*	*6.8*	*7.0*								
CEWE Stiftung	EUR	973	2.2	5.8	18.4	18.4	10.9	11.1	1.4	1.3	7.4	7.0	17.9	16.5
Cimpress	USD	2296	10.0	7.0	12.4	13.1	5.4	7.1	1.3	1.2	10.7	9.4	129.4	33.7
Moonpig	GBp	1167	-21.2	4.5	22.1	23.7	16.6	18.4	4.4	4.2	20.0	17.8	35.3	29.0
1-800-Flowers	USD	2290	10.8	8.6	9.5	9.9	6.9	7.4	1.0	1.0	11.0	9.8	18.8	16.9
Average			**0.5**	**6.5**	**15.6**	**16.3**	**9.9**	**11.0**	**2.0**	**1.9**	**12.3**	**11.0**	**50.4**	**24.0**
Software publisher/reseller														
Avanquest			*14.9*	*14.3*	*15.0*	*16.1*								
Avast	GBp	5785	5.5	6.1	55.6	55.6	52.3	52.6	8.8	8.3	15.8	14.9	20.5	19.2
Foxit	CNY	7210	63.5	29.5	25.4	27.1	23.0	25.5	7.8	6.0	30.8	22.3	52.9	37.9
IAC	USD	12236	14.0	24.9	3.7	4.2	-3.6	-2.4	2.8	2.3	77.4	54.2	25.3	N/A
Kape Technologies	GBp	1265	63.2	209.4	37.2	27.5	30.2	24.5	9.1	2.9	24.4	10.6	23.1	14.3
Nitro Software	AUD	813	25.2	38.6	-27.6	-23.5	-36.9	-29.4	11.1	8.0	N/A	N/A	N/A	N/A
Average			**34.3**	**61.7**	**18.9**	**18.2**	**13.0**	**14.2**	**7.9**	**5.5**	**37.1**	**25.5**	**32.2**	**23.8**
IoT														
myDevices	*EUR*		*1.8*	*2.0*	*-83.7*	*-80.0*								
CalAmp Corp	USD	359	-5.8	9.9	9.9	12.6	5.7	7.5	1.4	1.3	14.1	10.1	27.1	17.3
Digi International	USD	852	19.3	9.8	17.5	21.2	9.8	16.2	2.0	1.8	11.5	8.7	27.4	13.4
Sierra Wireless	CAD	893	0.3	17.2	-3.8	3.8	-7.8	-0.3	1.4	1.2	N/A	32.7	N/A	N/A
Average			**4.6**	**12.3**	**7.9**	**12.5**	**2.5**	**7.8**	**1.6**	**1.4**	**12.8**	**17.1**	**27.2**	**15.3**
French software														
Axway Software	EUR	622	1.8	5.3	14.1	15.5	10.6	12.3	2.2	2.1	15.8	13.6	27.5	22.6
Cegedim	EUR	346	4.3	3.9	21.4	21.5	8.2	8.5	1.1	1.1	5.2	5.0	23.6	19.4
ESI Group	EUR	417	4.8	6.2	10.7	13.6	6.1	8.6	3.2	3.0	29.5	21.9	85.8	57.6
Esker	EUR	1950	17.0	16.3	21.2	21.1	13.6	13.8	14.6	12.6	69.1	59.5	131.2	111.8
Lectra	EUR	1472	61.9	27.4	16.0	18.5	10.9	14.0	4.0	3.2	25.0	17.1	49.5	30.2
Linedata Services	EUR	254	0.3	2.6	30.0	29.1	19.7	18.8	2.0	1.9	6.5	6.6	12.6	12.6
Prodware	EUR	67	-1.9	2.8	24.0	23.6	6.0	7.7	1.1	1.0	4.4	4.3	42.2	9.9
Average			**12.6**	**9.2**	**19.6**	**20.4**	**10.7**	**12.0**	**4.0**	**3.5**	**22.2**	**18.3**	**53.2**	**37.7**

Source: Edison Investment Research, Refinitiv (15 November)

We use average peer multiples for reference, adjusting them to reflect our views on the growth and profitability prospects for each division. In Exhibit 14, our sum-of-the-parts valuation is based on adjusted FY22e EV/sales multiples by division. The EV/sales multiple for FY23e and the EV/EBITDA multiples for FY22e and FY23e are implied based on the EV/sales multiple used for FY22e. For PlanetArt, we use an FY22e multiple of 0.9x, unchanged from our last note. For Avanquest, we use the value implied by the minority interest buyout, which equates to an FY22e EV/Sales multiple of 1.5x. We have reduced the multiple for myDevices from 4x to 2x reflecting slower than previously anticipated growth. This results in a new valuation of €10.46 per share, marginally down from €10.55 when we last wrote. Clearly, this valuation implies material upside to the current share price. Factors that could start to close this valuation gap include:

- proof that the post-iOS 14.5 customer acquisition strategy is driving a resumption in demand in PlanetArt;
- successful roll-out of the full range of FreePrints products to all geographical locations;

- completion of CafePress integration driving improved margins in PlanetArt;
- sustained revenue growth in Avanquest, with growth from the three focus areas outweighing the decline in legacy products;
- continued margin expansion in Avanquest; and
- a return to overall growth in myDevices and evidence that customer deployments are resuming.

Exhibit 14: Sum-of-parts valuation

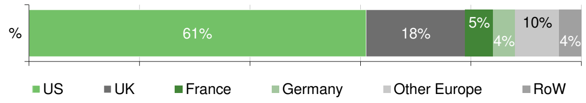
	FY22e	FY23e		EV based on FY22e sales multiple (€m)	Minority interest	Value to shareholders (€m)
EV/Sales multiple (x)	1.1	1.0		541.9		509.4
PlanetArt	**0.9**	0.9		380.9	7.7%	351.4
Avanquest	**1.5**	1.3		153.2	0.0%	153.2
myDevices	**2.0**	2.0		7.8	39.0%	4.8
Implied EV/EBITDA multiple (x)						
PlanetArt	14.0	12.2				
Avanquest	10.1	8.3				
myDevices	N/A	N/A				
	€m					Upside/(downside)
Net cash at end FY21	25.3			Equity value (€m)	478.5	
Cost of acquisitions*	(47.7)			**Per share value (€)**	**10.46**	100%
Fund raise*	15.0					
Promissory notes*	(23.6)					
Adjusted net debt	(30.9)					
No. shares (m)	45.7					

Source: Edison Investment Research. Note: *For more detail, see Simplifying the corporate structure, published on 27 August 2021.

Exhibit 15: Financial summary

€m	2017	2018	2019	2020	2021	2022e	2023e
30-June	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
INCOME STATEMENT							
Revenue	130.2	161.5	262.3	409.1	471.9	506.1	561.1
EBITDA	(5.0)	3.9	16.0	20.6	37.8	42.6	50.0
Company adjusted EBITDA	(5.0)	3.9	16.0	17.4	34.2	39.0	46.4
Normalised operating profit	(5.8)	3.4	15.5	15.8	32.3	37.1	44.6
Amortisation of acquired intangibles	0.0	0.0	(1.5)	(2.4)	(3.1)	(3.1)	(3.1)
Exceptionals	0.4	(2.4)	(2.9)	(5.6)	(4.4)	0.0	0.0
Share-based payments	(4.8)	(7.1)	0.3	0.0	0.0	0.0	0.0
Reported operating profit	(10.1)	(6.1)	11.4	7.8	24.8	34.0	41.5
Net Interest	(0.9)	(0.3)	(3.5)	(4.5)	(6.8)	(5.8)	(7.0)
Joint ventures & associates (post tax)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Exceptionals	0.0	0.0	(45.6)	0.0	0.0	0.0	0.0
Profit Before Tax (norm)	(6.6)	3.1	12.0	11.3	25.5	31.3	37.6
Profit Before Tax (reported)	(11.0)	(6.4)	(37.7)	3.3	18.0	28.2	34.5
Reported tax	(0.4)	(1.8)	(3.7)	(2.1)	(3.8)	(6.5)	(7.9)
Profit After Tax (norm)	(7.0)	2.4	9.2	8.7	19.6	24.1	29.0
Profit After Tax (reported)	(11.4)	(8.2)	(41.4)	1.2	14.2	21.7	26.6
Minority interests	0.3	0.2	0.6	(0.7)	(3.8)	(1.8)	(0.5)
Discontinued operations	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net income (normalised)	(6.7)	2.6	9.8	8.0	15.8	22.4	28.5
Net income (reported)	(11.0)	(7.9)	(40.8)	0.5	10.4	20.0	26.1
Basic ave. number of shares outstanding (m)	38	39	39	39	39	45	46
EPS - basic normalised (€)	(0.18)	0.07	0.25	0.20	0.40	0.50	0.62
EPS - diluted normalised (€)	(0.18)	0.06	0.25	0.20	0.40	0.49	0.62
EPS - basic reported (€)	(0.29)	(0.20)	(1.04)	0.01	0.26	0.44	0.57
Dividend (€)	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Revenue growth (%)	10.9	24.0	62.4	56.0	15.4	7.2	10.9
EBITDA Margin (%)	-3.8	2.4	6.1	5.0	8.0	8.4	8.9
Company adjusted EBITDA margin (%)	-3.8	2.4	6.1	4.3	7.2	7.7	8.3
Normalised Operating Margin	-4.4	2.1	5.9	3.9	6.8	7.3	7.9
BALANCE SHEET							
Fixed Assets	2.0	1.3	75.1	93.7	96.4	191.0	187.1
Intangible Assets	0.9	0.5	69.9	70.5	77.5	172.9	169.8
Tangible Assets	0.3	0.2	1.4	15.7	12.2	11.4	10.6
Investments & other	0.7	0.6	3.8	7.5	6.7	6.7	6.7
Current Assets	28.1	79.1	100.9	116.3	128.4	179.4	217.0
Stocks	3.7	3.7	4.8	14.4	16.1	17.3	19.1
Debtors	4.3	4.9	11.6	9.9	9.2	9.9	10.9
Cash & cash equivalents	17.1	65.7	75.4	82.8	90.4	139.5	174.2
Other	2.9	4.8	9.1	9.2	12.7	12.7	12.7
Current Liabilities	(28.1)	(37.2)	(60.5)	(74.6)	(75.4)	(83.3)	(90.5)
Creditors	(26.6)	(35.4)	(54.8)	(64.3)	(62.5)	(70.4)	(77.6)
Tax and social security	(0.3)	(1.7)	(3.0)	(1.2)	(2.0)	(2.0)	(2.0)
Short term borrowings	(1.1)	(0.1)	(2.7)	(6.1)	(7.7)	(7.7)	(7.7)
Other	0.0	0.0	0.0	(3.0)	(3.2)	(3.2)	(3.2)
Long Term Liabilities	(0.7)	(29.0)	(52.0)	(73.1)	(66.3)	(139.9)	(139.9)
Long term borrowings	0.0	(28.1)	(49.1)	(62.8)	(57.4)	(131.0)	(131.0)
Other long-term liabilities	(0.7)	(0.9)	(2.9)	(10.3)	(8.9)	(8.9)	(8.9)
Net Assets	1.3	14.2	63.6	62.3	83.1	147.2	173.8
Minority interests	(0.1)	(1.8)	(11.0)	(11.7)	(16.2)	(16.7)	(17.1)
Shareholders' equity	1.2	12.5	52.6	50.6	66.9	130.6	156.7
CASH FLOW							
Op Cash Flow before WC and tax	(5.0)	3.9	16.0	20.6	37.8	42.6	50.0
Working capital	6.8	7.9	(4.1)	22.5	(4.4)	6.0	4.2
Exceptional & other	(2.2)	(5.7)	(5.2)	(6.3)	(8.9)	0.0	0.0
Tax	(0.0)	(1.2)	(3.8)	(6.8)	(5.1)	(6.5)	(7.9)
Net operating cash flow	(0.4)	5.0	3.0	30.0	19.4	42.2	46.3
Capex	(0.2)	(0.1)	(2.5)	(1.2)	(3.8)	(1.0)	(1.0)
Acquisitions/disposals	3.6	14.2	(13.3)	(31.9)	(3.8)	(47.7)	0.0
Net interest	(0.0)	(0.3)	0.0	(0.5)	(0.7)	(5.8)	(7.0)
Equity financing	1.9	2.0	(1.4)	0.0	2.4	15.0	0.0
Dividends	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.1	(0.6)	0.0	0.4	(2.6)	(3.6)	(3.6)
Net Cash Flow	5.0	20.1	(14.2)	(3.2)	11.1	(0.9)	34.7
Opening net debt/(cash)	(9.8)	(16.0)	(37.5)	(23.6)	(13.9)	(25.3)	(0.9)
FX	(0.6)	0.4	0.3	(0.8)	1.8	0.0	0.0
Other non-cash movements	1.8	1.1	0.0	(5.7)	(1.4)	(23.6)	0.0
Closing net debt/(cash)	(16.0)	(37.5)	(23.6)	(13.9)	(25.3)	(0.9)	(35.6)

Source: Claranova, Edison Investment Research

Contact details	Revenue by geography (FY21)
Immeuble Vision Défense – 89–91 Boulevard National La Garenne-Colombes CEDEX France https://claranova.com/investors/	

Management team	
Chairman & CEO: Pierre Cesarini	**CFO: Jean-Yves Quentel**
Prior to joining Avanquest as group CEO in May 2013, Mr Cesarini began his career at Apple's California headquarters, where he spent 10 years and played a key role in the development of the PowerMac. In 1998, he founded TempoSoft, a supplier of intranet applications for HR management and planning that was purchased by Oracle in 2005. In 2007, he became CEO of Atego, an embedded software provider.	Jean-Yves Quentel joined Claranova as CFO in 2020 and will steer its financial strategy. He has over 25 years' experience, gained on both sides of the Atlantic, in creating, managing and financing growth and technology companies. He combines a long career in France and the US in venture capital investment with funds such as Atlas Venture or Europatweb and extensive operational expertise acquired as CFO of private and listed innovative companies, as well as entrepreneurial experience, having founded and led Mensia Technologies, among other start-ups.

Principal shareholders	(%)
Assouline Family Trust	5.9
Pierre Cesarini	5.6
Ophir Asset Management	3.1
Dedoun Family Trust	2.6
Heights Capital Management	1.6
JP Morgan Chase	0.6

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