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CLARANOVA

Consumer, Brands & Retail
Retail & E.commerce

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BUY

Target price **EUR9.5 vs. EUR10.5** +209%

Bloomberg / Reuters	CLA FP/AVQ.PA
Free Float	73,2%
Avg. Daily volume '000 (6m)	229.1

Share Price	EUR3.07
Ytd Perf.	-44.9%
12m high / low	EUR7.9 / EUR3.1
Market Cap.	EUR141m
E.V.(2022e)	EUR155m

	06/22e	06/23e	06/24e
EV/Sales	0.3x	0.2x	0.1x
EV/EBITDA	4.2x	2.4x	1.4x
EV/EBIT	5.6x	2.9x	1.7x
P/E	9.1x	5.8x	4.6x
Div Yield	NM	NM	NM

Q3 2022 sales momentum still negatively impacted by PlanetArt

Yesterday evening, Claranova reported Q3 sales (January-March) down 5% in reported terms and 14% LfL. Once again, PlanetArt coped with adverse market conditions during the quarter (-21% LfL) while Avanquest sales were broadly in line with our expectations. MyDevices surprised positively with +36% LfL. We nudge down our sales expectations by c.2.5% on average over 2021/22 and 2022/23, due to PlanetArt. We reduce our TP to EUR9.5 from EUR10.5 due to adjustments to our SOTP valuation (lower peer multiples).

PlanetArt: sales down 21% LfL to EUR64m due to Apple's ATT and a demanding comparison base

- **Apple's ATT still a drag.** As guided by management during the H1 results conference call last March, PlanetArt remains negatively impacted by Apple's ATT which has curtailed retargeting capabilities of Facebook.
- **Demanding comps (Q3 2020/21: +42% LfL):** PlanetArt also lapped a strong quarter last year which was the last quarter of strong momentum before Apple's abrupt implementation of iOS14.5 in April 2021.
- **Good progress with PA's marketing investments diversification:** CEO Pierre Cesarini confirmed during the conference call tests are being carried out on over 30 alternative platforms to assess their retargeting and scaling capabilities. In parallel, Meta/Facebook is about to implement new algorithms to bypass Apple's ATT and improve customer profiling.
- **Limited near-term visibility:** even though we have lowered our Q4 LfL growth assumption to +15%e vs. +20%e initially, reflecting a more cautious stance given poor visibility, we still expect a positive quarter for PlanetArt, helped by the Apple's ATT first anniversary, implying an easier comparison base (Q4 2020/21: -7%).

Avanquest: slightly below our estimate amidst of less easy comps

- Avanquest's Q3 FY22 revenues were up 7% lfl to EUR26m or 3% below our EUR26.8m estimate, against less easy comps. Year-to-date, revenue growth is up 14% lfl, with main the software product lines (PDF, Security, Photo), as we understand it, still up above 20%. Recurring revenue now accounts for 63% of revenues, up from 60% in Q3 FY21.
- We keep our forecasts unchanged on Avanquest, expecting revenues up 19.8% (at current fx) and EBITDA margin of 16% for FY22.
- The acquisition of PDFforge for EUR24.5m, destined to strengthen the B2B channel in the PDF segment, is expected to close in June 2022. M&A is a strategic priority for Avanquest, with search now targeted on mobile applications.

MyDevices: very strong ARR growth bodes well for coming few quarters

- MyDevices' Q3 FY22 revenues were up 36% lfl to EUR1.2m, or 10% above our EUR1.1m estimate. Year-to-date revenues were up 12% lfl, or +47% excluding non-recurring items (est. EURO.4m in Q1 and EURO.2m in Q2). Growth was led by subscription revenues to myDevices' IoT management platform. As of March 2022, ARR (annual recurring revenue) was EUR2.2m, up 87% year-on-year, and up 75% vs. December 2021.
- We have raised our growth forecasts for MyDevices to +20% from +16% for FY22 (+41% in H2), while still expecting +51% for FY23, +55% for FY24 and +60% for 2025. Our scenario is still for MyDevices to break even in FY25.

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BUY

Target price EUR9.5 vs. EUR10.5

Share price EUR3.07

Market Cap. EUR141m

EPS 3Y CAGR NM

Fiscal year end 31/12	2020	2021	2022e	2023e	2024e
Financial Summary					
EPS (EUR)	0.01	0.26	0.26	0.45	0.59
Restated EPS (EUR)	0.15	0.39	0.34	0.53	0.66
% change	-	165.6%	-12.6%	55.8%	25.6%
FCF (EUR)	0.73	0.38	0.6	0.7	0.9
Net dividend (EUR)	0.0	0.0	0.0	0.0	0.0
Average yearly Price	6.07	6.66	-	-	-
Avg. Number of shares, diluted (m)	39	41	41	41	41
Historical Enterprise value (EURm)	225	247	-	-	-
Valuation (x)					
EV/Sales	0.6x	0.5x	0.32x	0.22x	0.15x
EV/EBITDA	12.9x	7.2x	4.19x	2.39x	1.40x
EV/EBIT	29.2x	10.0x	5.60x	2.95x	1.67x
P/E	41.8x	17.2x	9.10x	5.84x	4.65x
FCF yield (%)	12.0%	5.8%	20.94%	23.19%	29.20%
Net dividend yield (%)	0.0%	0.0%	NM	NM	NM
Profit & Loss Account (EURm)					
Revenues	409.0	471.9	485.7	560.5	614.7
Change (%)	55.9%	15.4%	2.9%	15.4%	9.7%
Adjusted EBITDA	17.4	34.2	37.0	52.8	63.8
EBIT	7.7	24.8	27.7	42.7	53.5
Change (%)	-32%	222%	12%	54%	25%
Financial results	-4.50	-6.80	-6.8	-6.8	-6.8
Pre-Tax profits	3.20	18.00	20.9	35.9	46.7
Exceptionals	-5.60	-4.40	-4.4	-4.4	-4.4
Tax	-2.10	-3.84	-4.4	-7.5	-9.8
Minority interests	0.70	3.71	4.3	7.4	9.7
Net profit	0.40	10.45	12.2	20.9	27.2
Restated net profit	5.80	15.35	15.7	24.4	30.7
Change (%)	-	164.7%	2.1%	55.8%	25.6%
Cash Flow Statement (EURm)					
Operating cash flows	7.4	23.9	27.5	37.0	43.5
Change in working capital	22.5	-4.4	3.7	-2.2	-0.6
Capex, net	-1.2	-3.8	-4.9	-5.6	-6.1
Free Cash flow	28.7	15.7	26.4	29.2	36.8
Financial investments, net	-31.9	-3.8	-47.7	0.0	0.0
Dividends	0.0	0.0	0.0	0.0	0.0
Capital increase	0.0	2.4	15.0	0.0	0.0
Other	-6.5	-2.9	-33.6	0.0	0.0
Change in net debt	9.7	-11.4	39.9	-29.2	-36.8
Net debt (+)/cash (-)	-14.5	-25.9	14.0	-15.2	-52.0
Balance Sheet (EURm)					
Tangible fixed assets	5.9	5.2	5.0	4.8	4.7
Intangibles assets	70.5	77.5	74.0	70.6	67.4
Cash & equivalents	82.8	90.4	50.5	79.7	116.4
current assets	33.5	38.0	43.1	48.3	53.1
Other assets	17.4	13.7	8.6	8.6	8.6
Total assets	210.1	224.8	181.2	212.0	250.2
L & ST Debt	88.9	80.5	81.3	82.1	83.0
Provisions	0.7	2.4	2.4	2.4	2.4
Others liabilities	58.1	58.8	57.8	65.2	70.6
Minority interests	11.8	16.2	16.2	16.2	16.2
Shareholders' funds	50.6	66.9	23.6	46.1	78.0
Total Liabilities	210.1	224.8	181.2	212.0	250.2
Ratios					
Gross margin	72.9%	69.1%	68.3%	69.9%	69.9%
EBITDA margin	6.2%	4.3%	7.2%	7.6%	9.4%
Net debt/EBITDA (x)	-1.5x	-0.8x	-0.8x	0.4x	-0.3x
Operating margin	4.3%	1.9%	5.3%	5.7%	7.6%
Tax rate	-0.1%	0.7%	0.2%	21.0%	21.0%
Net margin	-14.3%	1.4%	3.3%	3.2%	4.4%
ROE	-71.5	11.5	22.9	66.4	52.9
ROCE	24.0	25.2	47.7	50.9	83.3
Gearing	-37%	-22%	-30.4%	36.8%	-23.3%
FCF/EBIT	73%	216%	53.9%	82.1%	61.9%
Dividend payout	-	-	0.0%	0.0%	0.0%

Source: Company Data; Bryan, Garnier & Co ests.

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Stock rating

CONVICTION BUY	The highest possible rating, based on a very strong conviction in the mid/long-term outlook and strategic choices made by a company, and should therefore be reflected in the extent of upside in the associated target price. There is no reason to limit the number of CONVICTION BUY ratings, however they must also reflect some kind of preference in relative terms within a sector.
BUY	This rating should traditionally be applied to companies for which we expect a positive absolute share price performance over a 6 to 12 month period. The opinion is based not only on the TP (which represents theoretical upside relative to the current share price over a 12-month period) but also takes into consideration a number of other factors that may include a SWOT analysis, momentum, technical aspects or the sector backdrop.
NEUTRAL	This rating is the equivalent of a recommendation not to trade in a stock in the short term, either as a buyer or a seller, for many potential reasons. The view is intended to be temporary since it has been proven that few stocks actually remain within a narrow -5%/+5% range over a long period of time. The rating is particularly valid in exceptional market conditions. Our intention is to limit the total number of NEUTRAL ratings to 20%.
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CONVICTION SELL	This is the lowest possible rating reflecting a strong disagreement with the main strategic choices made by a company, pointing to the risk of de-rating and value destruction and which is obviously also reflected in downside potential between the share price and the target price.
NOT RATED	Covered stocks may be "Not rated" when we view them as being interesting for one or several strategic themes in our universe, but consider that we do not have a general enough perspective or overall assessment of them to be able to issue a rating. As such, our comments are limited to topics where we believe we can add value. More specifically, quarterly earnings will not be commented on per se.
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Distribution of stock ratings

Conviction BUY ratings 4.7% BUY ratings 62.4% NEUTRAL ratings 22.1% SELL ratings 10.7% Conviction SELL ratings 0%

ESG

E S G	GREEN	The highest possible rating, reflecting a positive overall assessment of the company re pre-defined criteria.
	ORANGE	The rating means that we have identified at least one topic which deserves attention and would require corrective measures.
	RED	This is a red flag. The rating says that there is at least one topic identified that is simply not acceptable at present state.
	GREY	Not rated, mainly because of insufficient data.

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