Flash

BRYAN, GARNIER & CO

CLARANOVA

31st March 2022

Consumer, Brands & Retail

Retail & E.commerce

Clément Genelot	Cédric Rossi	Grégory Ramirez
33(0) 1 56 68 75 60	33(0) 1 70 36 57 25	33(0)1 56 68 75 91
cgenelot@bryangarnier.com	crossi@bryangarnier.com	gramireze@bryangarnier.com

BUY

Target price EUR10.5 vs. EUR11 +196%

Bloomberg / Reuters	CLA FP/AVQ.PA	**Share Price**	EUR4.45
Free Float	73,2%	**Ytd Perf.**	-20.1%
Avg. Daily volume '000 (6m)	243.9	**12m high / low**	EUR8.8 / EUR3.5
		Market Cap.	EUR205m
		E.V.(2022e)	EUR204m

	06/22e	06/23e	06/24e
EV/Sales	0.4x	0.3x	0.2x
EV/EBITDA	5.5x	3.0x	1.7x
EV/EBIT	7.3x	3.7x	2.0x
P/E	16.6x	11.1x	9.0x
Div Yield	NM	NM	NM

FY 23 sales target postponed but apparently already anticipated by the market

Following Claranova's publication of H2 2021/22 results c.3% above expectations and the one-year delay to its 2022/23 sales target, we have cut our FY 2021/22 group EBITDA by 6% to reflect continuous inflationary pressures at PlanetArt. Downside potential remains limited with the CS already very cautious. We remain atBuy with a new TP of EUR10.5 as we believe that Claranova is still an appealing and misvalued diversified tech group active in booming markets with asset monetisation options able to engage a massive rerating.

H1 2021/22 EBITDA 3% above expectations

- H1 EBITDA came out at EUR23m with an 8.2% margin, about 3% above the consensus expectations.
- **PlanetArt** (74% of EBITDA): EBITDA came out c.3% above expectations with a 7.6% margin down 70bp YoY. We understand that gross margin was under pressure given raw material and transport costs while customer acquisition costs might have remained at elevated levels since PlanetArt is still assessing the best marketing channels to use to bypass Ios14 on Facebook.
- **Avanquest**: EBITDA surged 56% to EUR7.5m or 14.7% of sales (+3.2ppt) or in line with our forecasts (7.6m / 14.9%) and 6%/1ppt above the consensus (7.1m/13.9%). Profitability benefited from: 1) solid revenue growth (+22%), which was driven by Avanquest's own brands (Soda PDF +33%, Adaware +38%, InPixio +26%) as well as recurring revenues (60% of sales vs. 56% in H1 FY21); 2) subscription renewals, which require low additional marketing costs.
- **MyDevices**: EBITDA was still negative, with a EUR(1.6m) loss vs. EUR(1m) in H1 FY21, while we expected (1.4m) like the consensus (1.4m). Sales and marketing costs returned to growth in order to support the ramp-up of the business (sales +49% ex-T-Mobile). ARR was up 85% to EUR1.8m and the subscriber count surged 225% to 143.

FY23 outlook: sales target postponed to FY24 but margin objective maintained

- The one-year postponement of the EUR700m sales target was **exclusively due to the unexpected slowdown at PlanetArt (c.80% of FY21 sales)** following Apple's iOS changes last April that has curtailed PlanetArt's audience reach and targeting accuracy capabilities (see our Insight here). This headwind was exacerbated by Covid-19 related supply chain disruptions, which are now almost entirely resolved.
- **Limited downside potential in our view.** Indeed, the CS sales estimate for FY23 stood at EUR568m, hence largely below the company's guidance that factored in an M&A contribution. Consequently, we do not expect any material downwards revision to the CS expectations following this delayed sales objective.
- **PlanetArt: Opportunity to accelerate M&A? Unlikely in our view.** Arguably, one might have considered that the softer organic growth could have been offset by M&A, particularly in a challenging market environment that put strain on many smaller players. However, management confirmed that PlanetArt's teams were entirely focused on rebuilding their targeting accuracy capabilities to revitalize organic growth. On a positive note, this focus implies lower risks of dilutive acquisitions as most of these potential targets typically have a lower profitability.

Buy reiterated with a EUR10.5 TP

- We have cut our FY 2021/22 EBITDA by 9% for PlanetArt with a margin down by 60bp YoY vs. flat initially in order to fully reflect continuous inflationary pressure on raw materials and logistics, as well as uncertainties surrounding the timing needed to adjust the marketing approach. At the group level, it implies a 6% cut.
- The EBITDA cut at PlanetArt and the derating of listed peers affected our DCF-SOTP valuation approaches, leading to a new TP of EUR10.5 vs. EUR11.
- Beyond short-term headwinds related to PlanetArt, Claranova remains an appealing and misvalued diversified tech group on booming markets with asset monetisation options. PlanetArt IPO is unlikely in a 3/6-month horizon but it remains likely beyond that and able to unlock the real value of the subsidiary (i.e. about EUR210m post management earn-out).

Click here to download

RESEARCH AS A SERVICE

Flash

BRYAN, GARNIER & CO

CLARANOVA

BUY	
Target price	EUR10.5 vs. EUR11
Share price	EUR4.45
Market Cap.	EUR205m
EPS 3Y CAGR	NM

Fiscal year end 31/12	2020	2021	2022e	2023e	2024e
Financial Summary					
EPS (EUR)	0.01	0.27	0.27	0.47	0.61
Restated EPS (EUR)	0.13	0.30	0.27	0.40	0.49
% change	431.3%	132.2%	-9.5%	50.0%	22.6%
FCF (EUR)	0.73	0.38	0.8	1.0	1.3
Net dividend (EUR)	0.0	0.0	0.0	0.0	0.0
Valuation (x)	6.07	6.66	-	-	-
EV/Sales	0.6x	0.5x	0.42x	0.28x	0.17x
EV/EBITDA	13.0x	7.2x	5.47x	2.99x	1.66x
EV/EBIT	29.3x	9.9x	7.31x	3.70x	1.98x
P/E	47.5x	22.4x	16.59x	11.06x	9.02x
FCF yield (%)	12.0%	5.8%	17.11%	22.22%	29.75%
Net dividend yield (%)	0.0%	0.0%	NM	NM	NM
Profit & Loss Account (EURm)					
Revenues	409.0	472.0	491.3	585.9	642.0
Change (%)	55.9%	15.4%	4.1%	19.3%	9.6%
Adjusted EBITDA	17.4	34.3	37.4	54.8	66.2
EBIT	7.7	24.9	28.0	44.3	55.4
Change (%)	-32%	223%	12%	58%	25%
Financial results	-4.50	-6.80	-6.8	-6.8	-6.8
Pre-Tax profits	3.20	18.10	21.2	37.5	48.6
Exceptionals	-5.60	-4.40	-4.4	-4.4	-4.4
Tax	-2.10	-3.80	-4.4	-7.9	-10.2
Minority interests	0.70	3.70	4.3	7.7	9.9
Net profit	0.40	10.60	12.4	22.0	28.5
Restated net profit	5.80	15.50	16.8	26.4	32.9
Change (%)	-35.6%	167.2%	8.4%	57.0%	24.6%
Cash Flow Statement (EURm)					
Operating cash flows	7.4	23.9	32.8	50.2	61.5
Change in working capital	22.5	-4.4	3.3	-3.8	-0.8
Capex, net	-1.2	-3.8	-4.9	-5.9	-6.4
Free Cash flow	28.7	15.7	31.2	40.6	54.3
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	-23.6	0.0	0.0
Change in net debt	9.7	-11.4	25.1	-40.6	-54.3
Net debt (+)/cash (-)	-13.9	-25.3	-0.2	-40.8	-95.1
Balance Sheet (EURm)					
Tangible fixed assets	5.9	5.2	5.0	4.8	4.7
Intangibles assets	70.5	77.5	74.0	70.4	67.1
Cash & equivalents	82.8	90.4	65.3	105.9	160.2
current assets	33.5	38.0	43.2	48.8	53.6
Other assets	17.4	13.7	8.6	8.6	8.6
Total assets	210.1	224.8	196.2	238.5	294.1
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	58.3	67.7	73.3
Minority interests	11.7	16.2	16.2	16.2	16.2
Shareholders' funds	50.6	66.9	38.0	70.2	119.3
Total Liabilities	210.0	224.8	196.2	238.5	294.1
Ratios					
Gross margin	72.9%	69.1%	68.3%	69.9%	69.9%
EBITDA margin	6.2%	4.3%	7.3%	7.6%	9.4%
Net debt/EBITDA (x)	-1.4x	-0.8x	-0.7x	0.0x	-0.7x
Operating margin	4.3%	1.9%	5.3%	5.0%	7.0%
Tax rate	-0.1%	0.7%	0.2%	25.3%	23.2%
Net margin	3.4%	1.4%	3.3%	4.7%	6.7%
ROE	17.1	11.5	23.2	60.5	55.8
ROCE	24.0	25.2	47.9	45.5	82.9
Gearing	-37%	-22%	-30.4%	-0.4%	-47.2%
FCF/EBIT	69%	216%	53.6%	108.5%	89.8%
Dividend payout	-	-	0.0%	0.0%	0.0%

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

BRYAN, GARNIER & CO

Bryan Garnier stock rating system

For the purposes of this Report, the Bryan Garnier stock rating system is defined as follows:

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%.
SELL	This rating should traditionally be applied to companies for which we expect a negative absolute share price performance over a 6 to 12 month period. The opinion is based not only on the TP (which represents theoretical downside or overly-low upside from 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.
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.
TOP PICK	At the start of every calendar quarter, we issue a list of our preferred stocks across the coverage universe and specific to each sector. Top Picks are stocks for which we expect the quarterly performance to be very positive, on the back of short-term catalysts. Unlike recommendations that usually rely on fundamental aspects and reflect mid to long-term opinions, Top Picks must represent a selection of expected strong performers over a short period of time, therefore focusing on momentum. Top Picks must be either BUY or CONVICTION BUY-rated stocks and must show upside potential to their TP. Top Pick is not a recommendation per se but an extra status for a stock.
TARGET PRICE	As of September 2020, we are moving our historical FV (Fair Value) system to share our views on the theoretical valuation of a company, to a TP (Target Price) system. The main reason behind this change is to provide flexibility in reflecting the different scenarios and assumptions we make for each investment case. FV was the theoretical valuation of a company NOW. TP will be the theoretical value of a company over a standard 12-month period. With this new system, it will therefore be possible to include many more scenarios, to make more accurate and precise assumptions and to some extent, to project ourselves at the right time for the purpose of the investment case. With TP instead of FV, we should also be more aligned with our ratings, which is always better for a good global understanding of our opinions.

Distribution of stock ratings

Conviction BUY ratings 4.8% BUY ratings 63.3% NEUTRAL ratings 20.4% SELL ratings 11.6% 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.

Research Disclosure Legend

1	Bryan Garnier shareholding in Issuer	Bryan Garnier & Co Limited or another company in its group (together, the "Bryan Garnier Group") has a shareholding that, individually or combined, exceeds 5% of the paid up and issued share capital of a company that is the subject of this Report (the "Issuer").	No
2	Issuer shareholding in Bryan Garnier	The Issuer has a shareholding that exceeds 5% of the paid up and issued share capital of one or more members of the Bryan Garnier Group.	No
3	Financial interest	A member of the Bryan Garnier Group holds one or more financial interests in relation to the Issuer which are significant in relation to this report	No
4	Market maker or liquidity provider	A member of the Bryan Garnier Group is a market maker or liquidity provider in the securities of the Issuer or in any related derivatives.	No
5	Lead/co-lead manager	In the past twelve months, a member of the Bryan Garnier Group has been lead manager or co-lead manager of one or more publicly disclosed offers of securities of the Issuer or in any related derivatives.	No
6	Investment banking agreement	A member of the Bryan Garnier Group is or has in the past twelve months been party to an agreement with the Issuer relating to the provision of investment banking services, or has in that period received payment or been promised payment in respect of such services.	No
7	Research agreement	A member of the Bryan Garnier Group is party to an agreement with the Issuer relating to the production of this Report.	No
8	Analyst receipt or purchase of shares in Issuer	The investment analyst or another person involved in the preparation of this Report has received or purchased shares of the Issuer prior to a public offering of those shares.	No
9	Remuneration of analyst	The remuneration of the investment analyst or other persons involved in the preparation of this Report is tied to investment banking transactions performed by the Bryan Garnier Group.	No
10	Corporate finance client	In the past twelve months a member of the Bryan Garnier Group has been remunerated for providing corporate finance services to the issuer or may expect to receive or intend to seek remuneration for corporate finance services from the Issuer in the next six months.	No
11	Analyst has short position	The investment analyst or another person involved in the preparation of this Report has a short position in the securities or derivatives of the Issuer.	No
12	Analyst has long position	The investment analyst or another person involved in the preparation of this Report has a long position in the securities or derivatives of the Issuer.	No
13	Bryan Garnier executive is an officer	A partner, director, officer, employee or agent of the Bryan Garnier Group, or a member of such person's household, is a partner, director, officer or an employee of, or adviser to, the Issuer or one of its parents or subsidiaries. The name of such person or persons is disclosed above.	No
14	Analyst disclosure	The analyst hereby certifies that neither the views expressed in the research, nor the timing of the publication of the research has been influenced by any knowledge of clients positions and that the views expressed in the report accurately reflect his/her personal views about the investment and issuer to which the report relates and that no part of his/her remuneration was, is or will be, directly or indirectly, related to the specific recommendations or views expressed in the report.	Yes
15	Other disclosures	Other specific disclosures: Report sent to Issuer to verify factual accuracy (with the recommendation/rating, price target/spread and summary of conclusions removed).	No

A copy of the Bryan Garnier & Co Limited conflicts policy in relation to the production of research is available at www.bryangarnier.com

London	Paris	Munich	New York Bryan Garnier Securities LLC
16 Old Queen Street London SW1H 9HP United Kingdom	92 Avenue des Champs-Elysées 75008 Paris France	Widenmayerstrasse 29 80538 Munich Germany	750 Lexington Avenue 16th floor New York, NY 10022 United States
+44 207 332 2500	+33 1 56 68 75 20	+49 89 2422 62 11	+1 212 337 7000

Oslo	Stockholm	Reykjavik	
Beddingen 8, Aker Brygge Postbox: 0117 Oslo Oslo 0250 Norway	Nybrokajen 5 111 48 Stockholm Sweden	Höfðatorg, Katrínartún 2 105 Reykjavik Iceland	
+47 908 45 025	+46 722 401 080	+354 554 78 00	

IMPORTANT INFORMATION