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CLARANOVA

Consumer, Brands & Retail

Retail & E-commerce

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BUY

Target price **EUR10.5 vs. EUR11** +196%Share Price **EUR4.45**

Bloomberg / Reuters CLA FP/AVQ.PA

Free Float 73,2%

Avg. Daily volume '000 (6m) 243.9

Ytd Perf. -20.1%

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 los14 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).

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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.

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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%.
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.
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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.
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