

CLARANOVA

Consumer, Brands & Retail
Retail & E.commerce

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BUY

Target price **EUR10.5**

+157%

Share Price **EUR3.97**

Bloomberg / Reuters CLA FP/AVQ.PA
Free Float 73.2%
Avg. Daily volume '000 (6m) 241.7

Ytd Perf. -28.7%
12m high / low EUR8.8 / EUR3.5
Market Cap. EUR183m
E.V.(2022e) EUR192m

	06/22e	06/23e	06/24e
EV/Sales	0.4x	0.3x	0.2x
EV/EBITDA	5.1x	2.8x	1.5x
EV/EBIT	6.9x	3.4x	1.8x
P/E	14.8x	9.9x	8.0x
Div Yield	NM	NM	NM

Avanquest to acquire PDFforge

We reiterate our Buy rating following the announcement yesterday evening of an agreement to acquire PDFforge for EUR24.5m in cash. PDFforge will expand Avanquest's business solutions in the PDF segment with PDFCreator and PDF Architect besides Soda PDF software. In our view, the equity story still mostly relies on the asset monetization of PlanetArt (via an IPO or a disposal) expected in very late 2022 or in 2023.

PDFforge acquired for EUR24.5m

- Yesterday evening, Claranova announced its Avanquest division has entered into an agreement to acquire German software vendor PDFforge for EUR24.5m in cash, including an initial payment of EUR19m at closing (i.e. no later than 15th June 2022) and EUR5.5m at the end of the one-year anniversary date.
- Founded in 2004, PDFforge develops and sells PDFCreator, an open-source PDF conversion software for the B2B segment. PDFCreator is available in four editions (Free, Professional, Server and Terminal Server). PDFCreator was downloaded more than 50 million times over the past three years and is sold globally. It also sells PDF Architect, which offers advanced features and options for creating and editing PDF documents.
- With 85% of revenues in the form of subscriptions, PDFforge products also benefit from a strong level of loyalty from its users, with a renewal rate of over 80%.

PDFforge will expand Avanquest's business solutions in the PDF segment

- With the acquisition of PDFforge, Avanquest reaffirms its ambition to establish itself as a key competitor of Adobe Acrobat in PDF document management software. Soda PDF, Avanquest's flagship PDF software solution, reported 33% revenue growth for H1 FY22 (December 2021), while 83% of Avanquest's PDF software revenues are recurring. This performance has been driven by successful customer acquisition and retention campaigns.
- The integration of PDFforge into Avanquest's PDF solutions portfolio is expected to further expand the division's business solutions offering while accelerating growth in recurring revenue. PDFforge's co-founders Philip Chinery and Frank Heindörfer will continue to manage the PDFforge business as part of the Avanquest division.
- PDFforge has been a partner of Avanquest for 10 years. PDF Architect is a white label version of the Soda PDF solution.

Buy reiterated

- With about EUR50-60m expected gross cash at end-June 2022 and net debt of around EUR10m, Claranova has the financial leeway to undertake this acquisition.
- It will only lower gross cash at EUR30-40m at end June 2022 with net debt of around EUR30-40m, implying a c.0.8x net debt/EBITDA.
- We remain at Buy on the stock with the equity story still mostly relying on asset monetization of PlanetArt (via an IPO or a disposal).

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BUY

Target price EUR10.5

Share price EUR3.97

Market Cap. EUR183m

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)					
EV/Sales	0,6x	0,5x	0,39x	0,26x	0,15x
EV/EBITDA	13,0x	7,2x	5,15x	2,77x	1,47x
EV/EBIT	29,3x	9,9x	6,87x	3,42x	1,76x
P/E	47,5x	22,4x	14,79x	9,86x	8,04x
FCF yield (%)	12,0%	5,8%	19,18%	24,92%	33,37%
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	-33,6	0,0	0,0
Change in net debt	9,7	-11,4	35,1	-40,6	-54,3
Net debt (+)/cash (-)	-13,9	-25,3	9,8	-30,8	-85,1
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	55,3	95,9	150,2
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	186,2	228,5	284,1
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	28,0	60,2	109,3
Total Liabilities	210,0	224,8	186,2	228,5	284,1
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	0,3x	-0,6x
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	82,1	65,1
ROCE	24,0	25,2	47,9	45,5	82,9
Gearing	-37%	-22%	-30,4%	22,1%	-40,3%
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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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.
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Distribution of stock ratings

Conviction BUY ratings 4,8% BUY ratings 62,6% NEUTRAL ratings 21,1% 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.

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