

# Claranova

Stable performance year to date

Q322 revenue update  
and H122 results

Software and comp services

20 May 2022

**Price** €2.94

**Market cap** €134m

\$1.04:€1

Net cash (€m) at end H122 1.8

Shares in issue 45.6m

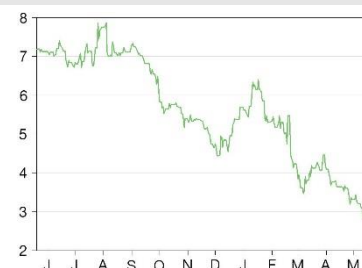
Free float 80%

Code CLA

Primary exchange Euronext Paris

Secondary exchange N/A

## Share price performance



% 1m 3m 12m

Abs (18.6) (38.0) (58.6)

Rel (local) (15.4) (31.9) (58.3)

52-week high/low €7.90 €3.46

## 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

Q422 revenue update 3 August

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Claranova reported a revenue decline of 1% for the nine months to 31 March 2022 (9M22), reflecting a strong performance in Avanquest offset by a tougher period for PlanetArt. The slowdown in PlanetArt's activities has pushed out the company's target to achieve €700m in revenue from FY23 to FY24 but the EBITDA margin target of 10% for FY23 still stands. We have revised our forecasts to reflect H1 results and Q322 revenue; we cut our PlanetArt growth forecasts for Q422/FY23 and factor in a contribution from pfforge from FY23, resulting in reduced EBITDA forecasts for both years.

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	15.0
06/21	471.9	34.2	25.5	0.40	0.0	7.5
06/22e	474.7	33.6	23.6	0.38	0.0	7.8
06/23e	530.6	44.5	34.6	0.58	0.0	5.2

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

## H122 EBITDA margin 8.2%

For 9M22/Q322, Claranova reported a 1%/5% y-o-y revenue decline, with PlanetArt down 5%/12%, Avanquest up 19%/13% and myDevices up 16%/45%. In H122, Claranova reported 1% revenue growth y-o-y and flat EBITDA (margin 8.2% vs 8.3% in H121). Higher finance costs (related to the buyout of Avanquest minority interests) and higher than expected tax resulted in a 65% decline in net income after minority interests. These factors, as well as the July 2021 acquisition of I See Me!, resulted in net cash declining from €25.3m at end FY21 to €1.8m at end H122.

## Revising outlook to reflect challenges for PlanetArt

For several years, the company has been targeting revenue of €700m by FY23 through a combination of organic growth and acquisition, with an EBITDA margin (pre-IFRS 16) of 10%. The slowdown in PlanetArt caused by various factors means that it will be difficult to achieve this target. The company has therefore pushed the target out by one year to FY24 but is still aiming to reach the EBITDA margin target in FY23. Our forecasts have been revised to reflect H122 and Q322 performance, reducing FY22 EBITDA by 13.9% and FY23 by 4.1%. In FY23 this equates to a margin of 8.4%, more conservative than the company target as it is not yet clear how the use of new customer acquisition channels for PlanetArt will affect margins.

## Valuation: PlanetArt growth the main driver

Reflecting the different business models for each division, we continue to use a sum-of-the-parts approach to valuation. Using EV/sales multiples that reflect our views on divisional growth and profitability and are conservative compared to the peer group averages, and reflecting the reduced revenue and EBITDA forecasts for FY22/23, we reduce our valuation from €10.46 to €7.90 per share. In our view, consistent growth in revenues and margins towards the company's FY23/24 targets will be key to reducing the discount to peers. In the near term, resumption of growth in PlanetArt will be the key trigger.

## Review of Q322 revenue update

On 10 May, the company reported Q322/9M22 revenues (Exhibit 1).

Exhibit 1: Divisional revenues for Q322 and 9M22						
Revenues (€m)	9M22	9M21	y-o-y		y-o-y	
			Reported	Constant currency	Organic	Constant currency organic
PlanetArt	291	306	(5%)	(9%)	(9%)	(12%)
Avanquest	77	65	19%	14%	19%	14%
myDevices	4	3	16%	12%	16%	12%
Total	371	373	(1%)	(5%)	(4%)	(8%)
	Q322	Q321				
PlanetArt	64	72	(12%)	(19%)	(14%)	(21%)
Avanquest	26	23	13%	7%	13%	7%
myDevices	1	1	45%	36%	45%	36%
Total	91	96	(5%)	(12%)	(7%)	(14%)

Source: Claranova

In Q322, **PlanetArt** revenue contracted 12% y-o-y on a reported basis (19% in constant currency) and 21% on a constant currency, organic basis. For 9M22, the division reported a 5% decline, or a 12% decline on a constant currency, organic basis. The business continues to test different marketing channels, with the aim of keeping the cost of customer acquisition at a similar level to what it was before Apple introduced its App Tracking Transparency (ATT) policy. The business is also working with Facebook as it trials new algorithms. PlanetArt's US activities are less reliant on Facebook (which was heavily impacted by the ATT policy) and revenue generated from its US websites saw double-digit growth y-o-y. The company expects a return to growth for the division in Q422. **Avanquest** saw a 13% increase in revenue y-o-y (7% constant currency organic) and recurring revenue increased to 63% of revenue (Q321: 60%). In April the company announced the planned acquisition of German software company pdfforge. pdfforge's PDFCreator is used by businesses to create pdf documents. pdfforge also sells Soda PDF as PDF Architect for pdf editing. Claranova is paying €19m upfront and a further €5.5m one year after the completion date, all in cash. The company has not disclosed any financial details. **myDevices** reported 45% y-o-y revenue growth, from €0.8m to €1.2m, helped by growth in new corporate subscribers of 167 q-o-q. Annual recurring revenue reached €2.2m by end of March (+87% y-o-y constant currency).

## Review of H122 results

We summarise H122 results in Exhibit 2 and divisional performance in Exhibit 3. The company reported H122 revenues in February and we discussed performance by division in detail then ([Gradual return to growth](#)). Although **PlanetArt** saw a 3% decline in reported revenue year-on-year, the division modified its marketing spend and this helped contain the margin decline to only 0.7pp. The company continues to trial different marketing channels to ascertain which methods are best able to scale at a reasonable cost. Growth in **Avanquest** revenue helped margin expansion of 3.1pp y-o-y to 14.7%. Recurring revenue was 60% in H122, up from 58% for FY21. Its three main products showed growth above the divisional average: SodaPDF +33%, Adaware +38% and inPixio +26%. **myDevices** has seen volumes pick up again now that partners are able to access facilities to set up IoT systems. The business signed a global partnership with Sodexo in November 2021, which will enable Sodexo to provide the wide variety of myDevices IoT solutions to its end-customers. In H121, the division cut costs due to the pandemic; these have reverted to more normal levels, resulting in a wider EBITDA loss. Overall, the group reported a 1% increase in revenue y-o-y and flat EBITDA.

**Exhibit 2: H122 results highlights**

€m	H121	H122	y-o-y
<b>Revenues</b>	<b>277.8</b>	<b>280.5</b>	<b>1.0%</b>
EBITDA	24.9	25.2	0.9%
Lease payments	(1.8)	(2.0)	
<b>Adjusted EBITDA (pre-IFRS 16)</b>	<b>23.1</b>	<b>23.1</b>	<b>-0.1%</b>
D&A	(3.6)	(3.4)	
<b>Normalised EBIT</b>	<b>21.3</b>	<b>21.8</b>	<b>2.3%</b>
Share-based payments	0.0	(0.4)	
Exceptional items	(3.3)	0.3	
Acquired amortisation	(0.5)	(1.6)	
<b>Reported EBIT</b>	<b>17.5</b>	<b>20.2</b>	<b>15.0%</b>
Net finance cost	(3.5)	(10.5)	
Reported PBT	14.0	9.7	-30.9%
Tax	(3.5)	(5.4)	
<b>Profit after tax</b>	<b>10.5</b>	<b>4.3</b>	<b>-59.2%</b>
MI	(2.0)	(1.3)	
<b>Net income after MI</b>	<b>8.5</b>	<b>3.0</b>	<b>-64.9%</b>
<b>Net cash</b>	<b>46.7</b>	<b>1.8</b>	<b>-96.1%</b>

Source: Claranova

**Exhibit 3: Divisional performance**

€m	Revenues			y-o-y constant currency (cc)	y-o-y organic	y-o-y organic, cc
	H121	H122	y-o-y			
PlanetArt	233.7	227.0	(3%)	(6%)	(7%)	(10%)
Avanquest	41.9	51.2	22%	17%	22%	17%
myDevices	2.2	2.3	5%	3%	5%	3%
<b>Total</b>	<b>277.8</b>	<b>280.5</b>	<b>1%</b>	<b>(2%)</b>	<b>(3%)</b>	<b>(6%)</b>
EBITDA (pre-IFRS 16)			EBITDA margin			
	H121	H122		H121	H122	
PlanetArt	19.3	17.2		8.3%	7.6%	
Avanquest	4.8	7.5		11.5%	14.7%	
myDevices	(1.0)	(1.6)		N/M	N/M	
<b>Total</b>	<b>23.1</b>	<b>23.1</b>		<b>8.3%</b>	<b>8.2%</b>	

Source: Claranova

Net finance costs of €10.5m include a one-off loss of €4.1m on the demerger of LastCard (this was linked to the Avanquest minority interest buyout); Claranova now owns 35.9% of LastCard so now reports it as an associate. The company increased debt by €85m over the half, including:

- the €50m convertible bond issued in August 2021;
- the promissory notes worth \$27.7m/€23.6m issued to the Avanquest minority shareholders in October 2021; and
- an \$11m/€9.7m loan taken out by PlanetArt to fund the acquisition of I See Me! In July 2021.

This higher level of debt has resulted in higher interest expense during H122 and ongoing. The company reported a tax charge of €5.4m, or 56% of PBT. This resulted in net income of €4.3m or €3.0m after the minority interest deduction of €1.3m. Net cash at year-end reduced to €1.8m from €25.3m at the end of FY21, with gross cash of €152.0m. We note that in H122 Claranova paid €47.7m in cash for the minority interests in Avanquest and €12.6m to acquire I See Me!. Since the end of H122, it has paid down €8.3m of the promissory notes and €12.8m for the first payment to the PlanetArt minority shareholder (see [Increasing stake in PlanetArt](#) for further explanation).

## Exposure to Ukraine/Russia war

The company noted that the Avanquest business has some sub-contracted developers and customer support agents located in Ukraine. It has provided transport to help them move from the east to the west of the country, opened an office in Krakow for those who want to relocate there and helped others move to alternative safe countries. It is no longer processing any transactions from

Russia or Belarus, which were not material prior to the conflict. Management does not expect this to have a material impact on the division's performance.

## Outlook and changes to forecasts

For several years, the company has had the aspiration to achieve revenue of €700m by FY23 through a combination of organic growth and acquisition, and to reach an EBITDA margin (pre-IFRS 16) of 10%. The slowdown in PlanetArt caused by several factors (post-COVID decline in online activity, supply chain challenges at Christmas, higher input prices and the Apple iOS App Tracking Transparency policy) means that it will be difficult to achieve this target. The company has therefore pushed the target out by one year to FY24. It is still aiming to reach the EBITDA margin target for FY23.

We have revised our forecasts to reflect slower growth in PlanetArt and consequently lower EBITDA in FY22. We factor in the pdfforge acquisition in Q422. Overall, our FY22 revenue forecast declines by 5.5% and FY23 by 6.3%. Our adjusted EBITDA margin reduces from 7.8% to 7.1% in FY22 and increases from 8.2% to 8.4% in FY23 reflecting the increased proportion of business from Avanquest.

Factoring in higher finance costs and tax in FY22, our normalised diluted EPS forecast reduces by 22.7%. In FY23, our forecast reduces by 7.9%. Factoring in the cost of acquiring I See Me! (the first time the amount has been disclosed) in H122, pdfforge in Q422 and higher cash interest and tax paid, we increase our end-FY22 net debt forecast from €12.4m to €57.2m and we forecast net debt of €38.9m by the end of FY23 (from €14.5m net cash).

### Exhibit 4: Changes to forecasts

€m	FY22e				FY23e				
	Old	New	Change	y-o-y	Old	New	Change	y-o-y	
<b>Revenues</b>	<b>502.1</b>	<b>474.7</b>	<b>(5.5%)</b>	<b>0.6%</b>	<b>566.6</b>	<b>530.6</b>	<b>(6.3%)</b>	<b>11.8%</b>	
EBITDA	42.6	37.6	(11.7%)	(0.5%)	50.0	48.5	(3.0%)	28.9%	
EBITDA margin	8.5%	7.9%	(0.6%)	(0.1%)	8.8%	9.1%	0.3%	1.2%	
<b>EBITDA - pre IFRS 16</b>	<b>39.0</b>	<b>33.6</b>	<b>(13.9%)</b>	<b>(1.8%)</b>	<b>46.4</b>	<b>44.5</b>	<b>(4.1%)</b>	<b>32.5%</b>	
<b>EBITDA margin - pre IFRS 16</b>	<b>7.8%</b>	<b>7.1%</b>	<b>(0.7%)</b>	<b>(0.2%)</b>	<b>8.2%</b>	<b>8.4%</b>	<b>0.2%</b>	<b>1.3%</b>	
<b>Normalised operating profit</b>	<b>37.1</b>	<b>32.1</b>	<b>(13.5%)</b>	<b>(0.6%)</b>	<b>44.6</b>	<b>43.1</b>	<b>(3.3%)</b>	<b>34.2%</b>	
<b>Normalised operating margin</b>	<b>7.4%</b>	<b>6.8%</b>	<b>(0.6%)</b>	<b>(0.1%)</b>	<b>7.9%</b>	<b>8.1%</b>	<b>0.3%</b>	<b>1.4%</b>	
Reported operating profit	34.0	28.9	(15.0%)	16.6%	41.5	40.0	(3.6%)	38.3%	
Reported operating margin	6.8%	6.1%	(0.7%)	0.8%	7.3%	7.5%	0.2%	1.4%	
Normalised PBT	31.3	23.6	(24.8%)	(7.6%)	37.6	34.6	(8.1%)	46.7%	
Reported PBT	28.2	16.3	(42.4%)	(9.7%)	34.5	31.5	(8.8%)	93.5%	
Normalised net income	22.5	17.4	(22.7%)	9.6%	29.0	26.7	(7.8%)	53.9%	
Reported net income	20.1	8.6	(57.3%)	(17.7%)	26.6	24.3	(8.5%)	183.9%	
Normalised basic EPS (€)	0.50	0.39	(22.7%)	(4.1%)	0.63	0.58	(7.9%)	51.3%	
<b>Normalised diluted EPS (€)</b>	<b>0.49</b>	<b>0.38</b>	<b>(22.7%)</b>	<b>(4.0%)</b>	<b>0.63</b>	<b>0.58</b>	<b>(7.9%)</b>	<b>51.3%</b>	
Reported basic EPS (€)	0.45	0.19	(57.3%)	(28.0%)	0.58	0.53	(8.6%)	179.1%	
<b>Net debt/(cash)</b>	<b>12.4</b>	<b>57.2</b>	<b>363.0%</b>	<b>(326.1%)</b>	<b>(14.5)</b>	<b>38.9</b>	<b>(369.0%)</b>	<b>(31.9%)</b>	
<u>Divisional revenues</u>									
PlanetArt	393.7	366.9	(6.8%)	(3.5%)	441.9	400.2	(9.4%)	9.1%	
Avanquest	103.3	103.0	(0.2%)	17.4%	118.2	123.9	4.8%	20.3%	
myDevices	5.2	4.8	(7.8%)	23.5%	6.5	6.5	0.0%	36.7%	
<b>Total</b>	<b>502.1</b>	<b>474.7</b>	<b>(5.5%)</b>	<b>0.6%</b>	<b>566.6</b>	<b>530.6</b>	<b>(6.3%)</b>	<b>11.8%</b>	
<u>Divisional EBITDA</u>									
PlanetArt	27.0	21.7	(19.7%)	(16.6%)	31.1	28.2	(9.3%)	30.1%	
Avanquest	15.4	15.4	0.5%	41.7%	18.5	19.5	5.4%	26.3%	
myDevices	(3.3)	(3.5)	5.9%	31.0%	(3.2)	(3.2)	0.0%	(9.5%)	
<b>Total EBITDA - pre IFRS 16</b>	<b>39.0</b>	<b>33.6</b>	<b>(13.9%)</b>	<b>(1.8%)</b>	<b>46.4</b>	<b>44.5</b>	<b>(4.1%)</b>	<b>32.5%</b>	

Source: Edison Investment Research

**Exhibit 5: Financial Summary**

	€'m	2017	2018	2019	2020	2021	2022e	2023e
30-June		IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
<b>INCOME STATEMENT</b>								
Revenue		130.2	161.5	262.3	409.1	471.9	474.7	530.6
EBITDA		(5.0)	3.9	16.0	20.6	37.8	37.6	48.5
Company adjusted EBITDA		(5.0)	3.9	16.0	17.4	34.2	33.6	44.5
Normalised operating profit		(5.8)	3.4	15.5	15.8	32.3	32.1	43.1
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)	0.3	0.0
Share-based payments		(4.8)	(7.1)	0.3	0.0	0.0	(0.4)	0.0
Reported operating profit		(10.1)	(6.1)	11.4	7.8	24.8	28.9	40.0
Net Interest		(0.9)	(0.3)	(3.5)	(4.5)	(6.8)	(8.6)	(8.5)
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	(4.1)	0.0
Profit Before Tax (norm)		(6.6)	3.1	12.0	11.3	25.5	23.6	34.6
Profit Before Tax (reported)		(11.0)	(6.4)	(37.7)	3.3	18.0	16.3	31.5
Reported tax		(0.4)	(1.8)	(3.7)	(2.1)	(3.8)	(6.9)	(7.2)
Profit After Tax (norm)		(7.0)	2.4	9.2	8.7	19.6	18.1	26.6
Profit After Tax (reported)		(11.4)	(8.2)	(41.4)	1.2	14.2	9.3	24.2
Minority interests		0.3	0.2	0.6	(0.7)	(3.8)	(0.8)	0.1
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	17.4	26.7
Net income (reported)		(11.0)	(7.9)	(40.8)	0.5	10.4	8.6	24.3
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	0.39	0.58
EPS - diluted normalised (€)		(0.18)	0.06	0.25	0.20	0.40	0.38	0.58
EPS - basic reported (€)		(0.29)	(0.20)	(1.04)	0.01	0.26	0.19	0.53
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	0.6	11.8
EBITDA Margin (%)		-3.8	2.4	6.1	5.0	8.0	7.9	9.1
Company adjusted EBITDA margin (%)		-3.8	2.4	6.1	4.3	7.2	7.1	8.4
Normalised Operating Margin		-4.4	2.1	5.9	3.9	6.8	6.8	8.1
<b>BALANCE SHEET</b>								
Fixed Assets		2.0	1.3	75.1	93.7	96.4	126.5	129.1
Intangible Assets		0.9	0.5	69.9	70.5	77.5	107.4	109.8
Tangible Assets		0.3	0.2	1.4	15.7	12.2	12.4	12.6
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	141.6	162.8
Stocks		3.7	3.7	4.8	14.4	16.1	16.2	18.1
Debtors		4.3	4.9	11.6	9.9	9.2	9.3	10.3
Cash & cash equivalents		17.1	65.7	75.4	82.8	90.4	103.4	121.7
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)	(79.4)	(86.1)
Creditors		(26.6)	(35.4)	(54.8)	(64.3)	(62.5)	(66.5)	(73.2)
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)	(161.8)	(161.8)
Long term borrowings		0.0	(28.1)	(49.1)	(62.8)	(57.4)	(152.9)	(152.9)
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	26.9	44.0
Minority interests		(0.1)	(1.8)	(11.0)	(11.7)	(16.2)	6.9	14.1
Shareholders' equity		1.2	12.5	52.6	50.6	66.9	33.8	58.1
<b>CASH FLOW</b>								
Op Cash Flow before WC and tax		(5.0)	3.9	16.0	20.6	37.8	37.6	48.5
Working capital		6.8	7.9	(4.1)	22.5	(4.4)	3.8	3.8
Exceptional & other		(2.2)	(5.7)	(5.2)	(6.3)	(8.9)	(2.5)	0.0
Tax		(0.0)	(1.2)	(3.8)	(6.8)	(5.1)	(6.9)	(7.2)
Net operating cash flow		(0.4)	5.0	3.0	30.0	19.4	32.0	45.1
Capex		(0.2)	(0.1)	(2.5)	(1.2)	(3.8)	(2.0)	(2.0)
Acquisitions/disposals		3.6	14.2	(13.3)	(31.9)	(3.8)	(94.7)	(12.7)
Net interest		(0.0)	(0.3)	0.0	(0.5)	(0.7)	(5.8)	(8.5)
Equity financing		1.9	2.0	(1.4)	0.0	2.4	13.9	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)	0.4	(3.6)
Net Cash Flow		5.0	20.1	(14.2)	(3.2)	11.1	(56.1)	18.3
Opening net debt/(cash)		(9.8)	(16.0)	(37.5)	(23.6)	(13.9)	(25.3)	57.2
FX		(0.6)	0.4	0.3	(0.8)	1.8	(2.8)	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)	57.2	38.9

Source: Edison Investment Research

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