

# Claranova

Q224 revenue update

## Guiding to strong H124 EBITDA growth

Claranova reported a small increase in H124 revenue on a constant currency (cc) basis, as good growth in Avanquest and myDevices offset lower revenue in the larger PlanetArt division. Management expects H124 EBITDA to be at least 50% higher year-on-year (with growth in all divisions), highlighting the focus on profitability over growth. We maintain our EBITDA and EPS forecasts pending H124 results on 20 March.

Year end	Revenue (€m)	EBITDA* (€m)	PBT** (€m)	Diluted EPS** (€)	DPS (€)	P/E (x)
06/22	473.7	25.5	7.2	0.11	0.0	23.8
06/23	507.0	32.5	2.2	0.05	0.0	56.2
06/24e	499.8	43.3	20.8	0.25	0.0	10.1
06/25e	529.7	49.1	26.2	0.32	0.0	8.1

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

## Q224 and H124 revenue up 1% cc

Claranova reported Q224 revenue of €210m and H124 revenue of €301m, both down 4% on a reported basis but up 1% cc. PlanetArt continues to work on optimising new customer acquisition channels and slowed the pace of revenue decline from 7% cc in Q124 to 2% cc in Q224. Avanquest saw 14% cc growth in Q224 and H124, with a particularly strong performance from Adaware (+40%). myDevices revenue growth accelerated from 61% cc in Q124 to 95% cc in Q224.

## 50% EBITDA growth expected in H124 (9% margin)

The company expects to report H124 EBITDA growth of at least 50% y-o-y, with PlanetArt up c 30%, Avanquest up c 70% and myDevices breaking even. This would equate to a c 8.6% margin compared to 5.5% a year ago. We have increased our revenue forecasts to reflect higher growth in Avanquest and reweighted our divisional EBITDA forecasts on the basis of expected H124 performance, but we maintain our group EBITDA and EPS estimates.

## Valuation: Debt refinancing the next trigger

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, we calculate a valuation of €5.4 per share, before any group holding discount is applied. If the undiscounted value of convertible debt is included, this reduces the valuation to €4.7 per share. In our view, consistent growth in revenues and margins towards Claranova's targets will be fundamental to reducing the discount to peers. In the near term, key triggers for upside will be sustained growth in PlanetArt (while balancing profitability) and refinancing the OCEANE convertible bonds (fair value €71m at the end of FY23) in advance of potential redemption by the holder in August 2024.

## Software and comp services

12 February 2024

**Price** €2.55

**Market cap** €145m

\$1.08:€1

Net debt (€m) at end FY23 112

Shares in issue 56.7m

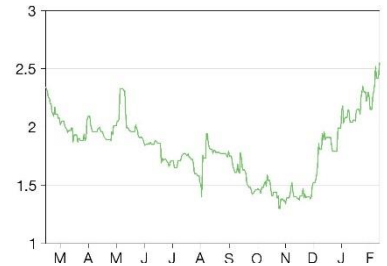
Free float 84%

Code CLA

Primary exchange Euronext Paris

Secondary exchange N/A

## Share price performance



% 1m 3m 12m

Abs 19.4 76.3 6.3

Rel (local) 16.3 64.2 1.1

52-week high/low €2.55 €1.30

## 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, France, and it has operations in Europe, the United States and Canada.

## Next event

H124 results 20 March

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## Review of Q224 revenue update

The table below summarises the revenue performance for Q224 and H124. At a group level, Q224 and H124 revenue was 4% lower year-on-year but 1% higher at cc. Management noted the focus on profitability over growth, and expects H124 EBITDA to be at least 50% higher than in H123. With H123 EBITDA of €17.4m, this implies H124 EBITDA of at least €26.1m. We discuss the divisional performance below.

<b>Exhibit 1: Q124 and H124 revenue performance</b>				
Revenues (€m)	Q224	Q223	y-o-y	y-o-y
			Reported	Constant currency
PlanetArt	175	187	(7%)	(2%)
Avanquest	33	30	9%	14%
myDevices	3	1	85%	95%
Total	210	218	(4%)	1%
	H124	H123	y-o-y	y-o-y
			Reported	Constant currency
PlanetArt	235	255	(8%)	(3%)
Avanquest	61	57	7%	14%
myDevices	5	3	67%	78%
Total	301	315	(4%)	1%

Source: Claranove Note: All organic growth

### PlanetArt: profitability up on lower revenue

In Q224, PlanetArt revenue declined 7% on a reported basis and 2% cc. This was an improvement on the 7% cc decline in Q124, resulting in H124 revenue down 3% cc (as a reminder, Q2 is seasonally the strongest quarter so has a larger influence on H1 growth rates). Management expects PlanetArt to report EBITDA growth of c 30% in H124 which implies H124 EBITDA of c €16.5m (c 7% margin vs 5% in H123), highlighting the focus on profitability over growth.

### Avanquest: strong growth in Q224

Q224 revenue increased 9% y-o-y or 14% cc, and H124 cc growth was also 14%. Core revenue made up 88%/€54m of H124 revenue while non-core revenue declined 29% to €8m. The company noted that core SaaS revenue increased 26% cc in H124, with Adaware up 40%, Soda PDF up 9% and InPixio up 13%. The European non-core business was sold in Q423 and we assume there is no non-core contribution from Q324, which should improve profitability. The company expects Avanquest to report EBITDA growth of c 70% for H124, which implies EBITDA of c €10.7m (c 17% margin vs 11% in H123).

### myDevices: break-even in sight

myDevices revenue increased 85% y-o-y (95% cc) in Q224 and 67% y-o-y (78% cc) in H124, as more partners rolled out its solutions to their end customers. There was also an acceleration in the sale of sensors as well as related installation and commissioning services. At the end of H124, myDevices had 217 partners (end Q124 213) and annual recurring revenue of €3.4m (+15% y-o-y, +24% cc). The company expects break-even at the EBITDA level in H124 versus a loss of €1.6m in H123.

## Changes to forecasts

We increase our group revenue forecasts to reflect stronger revenue in Avanquest but we maintain our group EBITDA and EPS forecasts. We have reweighted our EBITDA forecasts on a divisional basis to reflect the expected performance in H124.

### Exhibit 2: Changes to forecasts

€m	FY24e				FY25e			
	Old	New	Change	y-o-y	Old	New	Change	y-o-y
<b>Revenues</b>	<b>492.3</b>	<b>499.8</b>	<b>1.5%</b>	<b>(1.4%)</b>	<b>523.8</b>	<b>529.7</b>	<b>1.1%</b>	<b>6.0%</b>
EBITDA	47.5	47.5	0.0%	31.0%	53.4	53.4	0.0%	12.4%
EBITDA margin	9.7%	9.5%	(0.1%)	2.4%	10.2%	10.1%	(0.1%)	0.6%
<b>EBITDA - pre IFRS 16</b>	<b>43.3</b>	<b>43.3</b>	<b>0.0%</b>	<b>33.2%</b>	<b>49.1</b>	<b>49.1</b>	<b>0.0%</b>	<b>13.4%</b>
<b>EBITDA margin - pre IFRS 16</b>	<b>8.8%</b>	<b>8.7%</b>	<b>(0.1%)</b>	<b>2.2%</b>	<b>9.4%</b>	<b>9.3%</b>	<b>(0.1%)</b>	<b>0.6%</b>
Normalised operating profit	40.8	40.8	0.0%	34.8%	46.3	46.3	0.0%	13.4%
Normalised operating margin	8.3%	8.2%	(0.1%)	2.2%	8.8%	8.7%	(0.1%)	0.6%
Reported operating profit	33.2	33.2	0.0%	72.2%	40.7	40.7	0.0%	22.5%
Reported operating margin	6.8%	6.7%	(0.1%)	2.8%	7.8%	7.7%	(0.1%)	1.0%
Normalised PBT	20.8	20.8	0.0%	842.2%	26.2	26.2	0.0%	26.4%
Reported PBT	13.2	13.2	0.1%	(249.7%)	20.6	20.6	0.0%	56.8%
Normalised net income	15.3	15.2	(0.2%)	574.6%	19.2	19.2	0.0%	26.2%
Reported net income	9.4	9.4	(0.4%)	(188.3%)	14.9	14.9	0.0%	59.0%
Normalised basic EPS (€)	0.27	0.27	(0.2%)	448.1%	0.34	0.34	0.0%	24.8%
<b>Normalised diluted EPS (€)</b>	<b>0.25</b>	<b>0.25</b>	<b>(0.2%)</b>	<b>457.0%</b>	<b>0.32</b>	<b>0.32</b>	<b>0.0%</b>	<b>24.9%</b>
Reported basic EPS (€)	0.17	0.17	(0.4%)	(171.8%)	0.26	0.26	0.0%	57.2%
<b>Net debt/(cash)</b>	<b>93.8</b>	<b>93.5</b>	<b>(0.3%)</b>	<b>(16.5%)</b>	<b>71.7</b>	<b>71.4</b>	<b>(0.4%)</b>	<b>(23.6%)</b>
Net debt/EBITDA (x)	2.2	2.2			1.5	1.5		
<u>Divisional revenues</u>								
PlanetArt	367.5	367.1	(0.1%)	(4.0%)	390.8	390.1	(0.2%)	6.3%
Avanquest	114.7	121.5	6.0%	4.5%	121.8	127.8	4.9%	5.2%
myDevices	10.2	11.2	9.9%	36.6%	11.2	11.8	5.4%	5.5%
Total	492.3	499.8	1.5%	(1.4%)	523.8	529.7	1.1%	6.0%
<u>Divisional EBITDA</u>								
PlanetArt	18.6	19.5	4.8%	29.1%	21.2	21.2	0.0%	8.7%
Avanquest	23.4	22.5	(3.8%)	30.1%	25.8	25.8	0.0%	14.7%
myDevices	1.3	1.3	0.8%	1180.0%	2.1	2.1	0.0%	64.1%
Total EBITDA - pre IFRS 16	43.3	43.3	0.0%	33.2%	49.1	49.1	0.0%	13.4%
<u>Divisional EBITDA margin</u>								
PlanetArt	5.1%	5.3%	0.3%	1.4%	5.4%	5.4%	0.0%	0.1%
Avanquest	20.4%	18.5%	(1.9%)	3.6%	21.2%	20.2%	(1.0%)	1.7%
myDevices	12.5%	11.4%	(1.0%)	10.2%	18.8%	17.8%	(1.0%)	6.3%
Total EBITDA margin - pre IFRS 16	8.8%	8.7%	(0.1%)	2.2%	9.4%	9.3%	(0.1%)	0.6%

Source: Edison Investment Research

**Exhibit 3: Financial summary**

	€m	2017	2018	2019	2020	2021	2022	2023	2024e	2025e
30-June		IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
<b>INCOME STATEMENT</b>										
Revenue		130.2	161.5	262.3	409.1	470.6	473.7	507.0	499.8	529.7
EBITDA		(5.0)	3.9	16.0	20.6	36.5	28.3	36.3	47.5	53.4
Company adjusted EBITDA (pre IFRS 16)		(5.0)	3.9	16.0	17.4	32.9	25.5	32.5	43.3	49.1
Normalised operating profit		(5.8)	3.4	15.5	15.8	31.0	23.7	30.3	40.8	46.3
Amortisation of acquired intangibles		0.0	0.0	(1.5)	(2.4)	(3.1)	(3.8)	(4.8)	(4.8)	(4.8)
Exceptionals		0.4	(2.4)	(2.9)	(5.6)	(4.4)	(0.7)	(5.3)	(2.0)	0.0
Share-based payments		(4.8)	(7.1)	0.3	0.0	0.0	(1.2)	(0.9)	(0.8)	(0.8)
Reported operating profit		(10.1)	(6.1)	11.4	7.8	23.5	18.0	19.3	33.2	40.7
Net Interest		(0.9)	(0.3)	(3.5)	(4.5)	(6.8)	(16.5)	(28.1)	(20.1)	(20.1)
Joint ventures & associates (post tax)		0.0	0.0	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	(5.7)	0.0	0.0	0.0
Profit Before Tax (norm)		(6.6)	3.1	12.0	11.3	24.2	7.2	2.2	20.8	26.2
Profit Before Tax (reported)		(11.0)	(6.4)	(37.7)	3.3	16.7	(4.2)	(8.8)	13.2	20.6
Reported tax		(0.4)	(1.8)	(3.7)	(2.1)	(3.5)	(5.7)	(2.0)	(3.0)	(4.7)
Profit After Tax (norm)		(7.0)	2.4	9.2	8.7	18.6	5.5	2.1	16.0	20.2
Profit After Tax (reported)		(11.4)	(8.2)	(41.4)	1.2	13.2	(10.0)	(10.8)	10.1	15.9
Minority interests		0.3	0.2	0.6	(0.7)	(3.7)	(0.5)	0.2	(0.8)	(1.0)
Discontinued operations		0.0	0.0	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	14.9	5.0	2.3	15.2	19.2
Net income (reported)		(11.0)	(7.9)	(40.8)	0.5	9.5	(10.5)	(10.6)	9.4	14.9
Basic ave. number of shares outstanding (m)		38	39	39	39	39	43	46	56	57
EPS - basic normalised (€)		(0.18)	0.07	0.25	0.20	0.38	0.12	0.05	0.27	0.34
EPS - diluted normalised (€)		(0.18)	0.06	0.25	0.20	0.37	0.11	0.05	0.25	0.32
EPS - basic reported (€)		(0.29)	(0.20)	(1.04)	0.01	0.24	(0.25)	(0.23)	0.17	0.26
Dividend (€)		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Revenue growth (%)		10.9	24.0	62.4	56.0	15.0	0.7	7.0	(1.4)	6.0
EBITDA Margin (%)		-3.8	2.4	6.1	5.0	7.7	6.0	7.2	9.5	10.1
Company adjusted EBITDA margin (%)		-3.8	2.4	6.1	4.3	7.0	5.4	6.4	8.7	9.3
Normalised Operating Margin		-4.4	2.1	5.9	3.9	6.6	5.0	6.0	8.2	8.7
<b>BALANCE SHEET</b>										
Fixed Assets		2.0	1.3	75.1	93.7	96.6	123.3	151.8	153.5	149.2
Intangible Assets		0.9	0.5	69.9	70.5	77.5	96.6	120.1	121.7	117.3
Tangible Assets		0.3	0.2	1.4	15.7	12.2	18.2	18.2	18.3	18.4
Investments & other		0.7	0.6	3.8	7.5	6.9	8.5	13.5	13.5	13.5
Current Assets		28.1	79.1	100.9	116.3	128.4	146.8	112.6	80.9	118.7
Stocks		3.7	3.7	4.8	14.4	16.1	22.0	20.4	20.1	21.3
Debtors		4.3	4.9	11.6	9.9	9.2	8.3	9.8	9.7	10.2
Cash & cash equivalents		17.1	65.7	75.4	82.8	90.4	100.3	66.8	35.5	71.6
Other		2.9	4.8	9.1	9.2	12.7	16.2	15.6	15.6	15.6
Current Liabilities		(28.1)	(37.2)	(60.5)	(74.6)	(76.7)	(106.0)	(176.2)	(109.6)	(113.3)
Creditors		(26.6)	(35.4)	(54.8)	(64.3)	(63.8)	(78.1)	(74.1)	(71.3)	(75.0)
Tax and social security		(0.3)	(1.7)	(3.0)	(1.2)	(2.0)	(1.9)	(2.1)	(2.1)	(2.1)
Short term borrowings		(1.1)	(0.1)	(2.7)	(6.1)	(7.7)	(22.6)	(93.8)	(30.0)	(30.0)
Other		0.0	0.0	0.0	(3.0)	(3.2)	(3.4)	(6.2)	(6.2)	(6.2)
Long Term Liabilities		(0.7)	(29.0)	(52.0)	(73.1)	(66.1)	(162.2)	(104.6)	(118.6)	(132.6)
Long term borrowings		0.0	(28.1)	(49.1)	(62.8)	(57.4)	(148.9)	(85.0)	(99.0)	(113.0)
Other long term liabilities		(0.7)	(0.9)	(2.9)	(10.3)	(8.7)	(13.3)	(19.6)	(19.6)	(19.6)
Net Assets		1.3	14.2	63.6	62.3	82.2	1.9	(16.4)	6.2	22.0
Minority interests		(0.1)	(1.8)	(11.0)	(11.7)	(16.2)	(3.3)	(2.9)	2.0	1.9
Shareholders' equity		1.2	12.5	52.6	50.6	66.0	(1.4)	(19.3)	8.2	23.9
<b>CASH FLOW</b>										
Op Cash Flow before WC and tax		(5.0)	3.9	16.0	20.6	36.5	28.3	36.3	47.5	53.4
Working capital		6.8	7.9	(4.1)	22.5	(3.1)	3.2	(12.9)	(2.4)	2.0
Exceptional & other		(2.2)	(5.7)	(5.2)	(6.3)	(8.9)	(4.2)	(8.1)	(1.9)	0.0
Tax		(0.0)	(1.2)	(3.8)	(6.8)	(5.1)	(9.4)	(6.0)	(3.0)	(4.7)
Net operating cash flow		(0.4)	5.0	3.0	30.0	19.4	17.9	9.3	40.2	50.7
Capex		(0.2)	(0.1)	(2.5)	(1.2)	(3.8)	(2.2)	(10.9)	(4.0)	(4.0)
Acquisitions/disposals		3.6	14.2	(13.3)	(31.9)	(3.8)	(73.3)	(21.2)	(11.2)	(0.9)
Net interest		(0.0)	(0.3)	0.0	(0.5)	(0.7)	(1.7)	0.0	(6.1)	(6.1)
Equity financing		1.9	2.0	(1.4)	0.0	2.4	13.3	(0.3)	17.3	0.0
Dividends		0.0	0.0	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)	1.9	(3.4)	(3.6)	(3.6)
Net Cash Flow		5.0	20.1	(14.2)	(3.2)	11.0	(44.1)	(26.5)	32.7	36.1
Opening net debt/(cash)		(9.8)	(16.0)	(37.5)	(23.6)	(13.9)	(25.3)	71.2	112.0	93.5
FX		(0.6)	0.4	0.3	(0.8)	1.8	2.1	(0.5)	0.0	0.0
Other non-cash movements		1.8	1.1	0.0	(5.7)	(1.3)	(54.5)	(13.8)	(14.2)	(14.0)
Closing net debt/(cash)		(16.0)	(37.5)	(23.6)	(13.9)	(25.3)	71.2	112.0	93.5	71.4

Source: Claranova, Edison Investment Research

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