

Claranova

Growth targets maintained

Q323 revenue update

Software and comp services

12 May 2023

Price €2.13

Market cap €97m

\$1.094:€1

Net debt (€m) at end H123 64.8

Shares in issue 45.5m

Free float 84%

Code CLA

Primary exchange Euronext Paris

Secondary exchange N/A

Share price performance



% 1m 3m 12m

Abs 7.6 (7.6) (27.6)

Rel (local) 7.7 (10.2) (37.4)

52-week high/low €3.93 €1.87

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 events

Q423 revenue update 2 August

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Claranova reported Q323 revenue of €91m, which was 2% higher y-o-y on a constant currency organic basis. PlanetArt revenue was lower than expected due to a focus on profitability versus growth, while Avanquest and myDevices both grew at double-digit rates in the quarter. Management has maintained its FY23 guidance for revenue and EBITDA growth. We have revised down our revenue forecasts to reflect lower growth for PlanetArt but we maintain our EBITDA forecasts for FY23 and FY24.

Year end	Revenue (€m)	EBITDA* (€m)	PBT** (€m)	Diluted EPS** (€)	DPS (€)	P/E (x)
06/21	470.6	32.9	24.2	0.37	0	5.7
06/22	473.7	25.5	7.2	0.11	0	19.9
06/23e	516.8	31.8	9.8	0.16	0	13.0
06/24e	541.8	43.8	22.3	0.34	0	6.3

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

Q323 underlying revenue growth 2% y-o-y

Claranova reported Q323 revenue of €91m, flat y-o-y and up 2% on a constant currency (cc) organic basis. For the nine months to 31 March (9M23), Claranova reported revenue of €405m, up 9% on a reported basis and 2% on a cc organic basis. For Q323, PlanetArt revenue of €60m was down 6% y-o-y or 2% on a cc basis. The company noted that the focus in the quarter was on profitability rather than growth, including stabilising customer acquisition costs and focusing on higher margin products. Avanquest Q3 revenue of €29m was 13% higher y-o-y or 8% on a cc organic basis, with acquisitions contributing 6% of growth. The company noted that lower margin non-core revenues had declined to 17% of divisional revenue by the end of Q323. myDevices revenue of €2m was 53% higher y-o-y or 44% cc with annual recurring revenue of €3m at quarter-end (+37% y-o-y cc).

Reducing revenue but maintaining EBITDA forecasts

The company reiterated its guidance for revenue growth of 10% and EBITDA growth of 25–30% for FY23. We have revised down our revenue forecasts for PlanetArt to reflect the focus on profitable growth but overall we maintain our EBITDA forecasts for FY23 and FY24.

Valuation: Sustained profitable growth is key

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 maintain our €7.4 per share valuation. In our view, consistent growth in revenues and margins towards Claranova's FY24 targets will be fundamental to reducing the discount to peers. In the near term, sustained growth in PlanetArt (while balancing profitability) will be the key trigger.

Changes to forecasts

Exhibit 1: Changes to estimates

€'m	FY23e		FY24e		FY24e		FY24e		
	Old	New	Change	y-o-y	Old	New	Change	y-o-y	
Revenues	526.5	516.8	(1.9%)	9.1%	552.6	541.8	(2.0%)	4.8%	
EBITDA	36.0	36.0	0.0%	27.4%	48.0	48.1	0.0%	33.5%	
EBITDA margin	6.8%	7.0%	0.1%	1.0%	8.7%	8.9%	0.2%	1.9%	
EBITDA – pre IFRS 16	31.8	31.8	0.2%	24.8%	43.8	43.8	(0.1%)	37.6%	
EBITDA margin – pre IFRS 16	6.0%	6.2%	0.1%	0.8%	7.9%	8.1%	0.1%	1.9%	
Normalised operating profit	31.0	31.0	0.0%	31.1%	43.0	43.1	0.0%	38.9%	
Normalised operating margin	5.9%	6.0%	0.1%	1.0%	7.8%	7.9%	0.2%	1.9%	
Reported operating profit	23.8	23.8	0.0%	32.6%	38.3	38.4	0.0%	61.1%	
Reported operating margin	4.5%	4.6%	0.1%	0.8%	6.9%	7.1%	0.1%	2.5%	
Normalised PBT	9.8	9.8	0.1%	36.7%	22.3	22.3	0.0%	127.9%	
Reported PBT	2.6	2.6	0.4%	(160.6%)	17.6	17.6	0.0%	582.4%	
Normalised net income	8.2	8.2	(0.5%)	63.5%	16.8	16.8	0.1%	105.2%	
Reported net income	(1.2)	(1.2)	3.5%	(88.6%)	13.2	13.2	0.2%	(1206.8%)	
Normalised basic EPS (€)	0.18	0.18	(0.5%)	52.7%	0.37	0.37	0.1%	105.5%	
Normalised diluted EPS (€)	0.17	0.16	(0.5%)	53.7%	0.34	0.34	0.1%	105.4%	
Reported basic EPS (€)	(0.03)	(0.03)	3.5%	(89.4%)	0.29	0.29	0.2%	(1208.1%)	
Net debt/(cash)	90.7	91.8	1.2%	28.9%	84.0	85.2	1.4%	(7.2%)	
Net debt/EBITDA (x)	2.9	2.9			1.9	1.9			
Divisional revenues									
PlanetArt	400.6	390.7	(2.5%)	6.7%	412.3	402.1	(2.5%)	2.9%	
Avanquest	119.8	119.5	(0.3%)	16.8%	133.4	132.7	(0.5%)	11.1%	
myDevices	6.2	6.6	7.6%	27.6%	6.9	7.0	0.7%	5.2%	
Total	526.5	516.8	(1.9%)	9.1%	552.6	541.8	(2.0%)	4.8%	
Divisional EBITDA									
PlanetArt	17.0	16.9	(0.6%)	3.8%	21.8	21.8	0.0%	29.0%	
Avanquest	16.8	16.8	0.0%	44.3%	22.5	22.5	0.0%	33.9%	
myDevices	(2.1)	(1.9)	(8.3%)	(22.3%)	(.5)	(0.5)	10.6%	(72.3%)	
Total EBITDA – pre IFRS 16	31.8	31.8	0.2%	24.8%	43.83	43.8	(0.1%)	37.6%	

Source: Edison Investment Research

Exhibit 2: Financial summary

	€'m	2017	2018	2019	2020	2021	2022	2023e	2024e
30-June		IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
INCOME STATEMENT									
Revenue		130.2	161.5	262.3	409.1	470.6	473.7	516.8	541.8
EBITDA		(5.0)	3.9	16.0	20.6	36.5	28.3	36.0	48.1
Company adjusted EBITDA		(5.0)	3.9	16.0	17.4	32.9	25.5	31.8	43.8
Normalised operating profit		(5.8)	3.4	15.5	15.8	31.0	23.7	31.0	43.1
Amortisation of acquired intangibles		0.0	0.0	(1.5)	(2.4)	(3.1)	(3.8)	(4.5)	(4.7)
Exceptionals		0.4	(2.4)	(2.9)	(5.6)	(4.4)	(0.7)	(2.2)	0.0
Share-based payments		(4.8)	(7.1)	0.3	0.0	0.0	(1.2)	(0.5)	0.0
Reported operating profit		(10.1)	(6.1)	11.4	7.8	23.5	18.0	23.8	38.4
Net Interest		(0.9)	(0.3)	(3.5)	(4.5)	(6.8)	(16.5)	(21.2)	(20.8)
Joint ventures & associates (post tax)		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
Profit Before Tax (norm)		(6.6)	3.1	12.0	11.3	24.2	7.2	9.8	22.3
Profit Before Tax (reported)		(11.0)	(6.4)	(37.7)	3.3	16.7	(4.2)	2.6	17.6
Reported tax		(0.4)	(1.8)	(3.7)	(2.1)	(3.5)	(5.7)	(4.4)	(4.0)
Profit After Tax (norm)		(7.0)	2.4	9.2	8.7	18.6	5.5	7.5	17.2
Profit After Tax (reported)		(11.4)	(8.2)	(41.4)	1.2	13.2	(10.0)	(1.9)	13.5
Minority interests		0.3	0.2	0.6	(0.7)	(3.7)	(0.5)	0.7	(0.3)
Discontinued operations		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	8.2	16.8
Net income (reported)		(11.0)	(7.9)	(40.8)	0.5	9.5	(10.5)	(1.2)	13.2
Basic ave. number of shares outstanding (m)		38	39	39	39	39	43	46	46
EPS - basic normalised (€)		(0.18)	0.07	0.25	0.20	0.38	0.12	0.18	0.37
EPS - diluted normalised (€)		(0.18)	0.06	0.25	0.20	0.37	0.11	0.16	0.34
EPS - basic reported (€)		(0.29)	(0.20)	(1.04)	0.01	0.24	(0.25)	(0.03)	0.29
Dividend (€)		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	9.1	4.8
EBITDA Margin (%)		-3.8	2.4	6.1	5.0	7.7	6.0	7.0	8.9
Company adjusted EBITDA margin (%)		-3.8	2.4	6.1	4.3	7.0	5.4	6.2	8.1
Normalised Operating Margin		-4.4	2.1	5.9	3.9	6.6	5.0	6.0	7.9
BALANCE SHEET									
Fixed Assets		2.0	1.3	75.1	93.7	96.6	123.3	147.9	143.8
Intangible Assets		0.9	0.5	69.9	70.5	77.5	96.6	120.6	115.9
Tangible Assets		0.3	0.2	1.4	15.7	12.2	18.2	18.8	19.4
Investments & other		0.7	0.6	3.8	7.5	6.9	8.5	8.5	8.5
Current Assets		28.1	79.1	100.9	116.3	128.4	146.7	152.8	145.7
Stocks		3.7	3.7	4.8	14.4	16.1	22.0	24.0	25.2
Debtors		4.3	4.9	11.6	9.9	9.2	8.3	9.1	9.5
Cash & cash equivalents		17.1	65.7	75.4	82.8	90.4	100.3	103.7	94.9
Other		2.9	4.8	9.1	9.2	12.7	16.1	16.1	16.1
Current Liabilities		(28.1)	(37.2)	(60.5)	(74.6)	(76.7)	(106.0)	(112.4)	(114.7)
Creditors		(26.6)	(35.4)	(54.8)	(64.3)	(63.8)	(78.1)	(84.5)	(86.8)
Tax and social security		(0.3)	(1.7)	(3.0)	(1.2)	(2.0)	(1.9)	(1.9)	(1.9)
Short term borrowings		(1.1)	(0.1)	(2.7)	(6.1)	(7.7)	(22.6)	(22.6)	(22.6)
Other		0.0	0.0	0.0	(3.0)	(3.2)	(3.4)	(3.4)	(3.4)
Long Term Liabilities		(0.7)	(29.0)	(52.0)	(73.1)	(66.1)	(162.3)	(186.3)	(170.9)
Long term borrowings		0.0	(28.1)	(49.1)	(62.8)	(57.4)	(148.9)	(172.9)	(157.5)
Other long term liabilities		(0.7)	(0.9)	(2.9)	(10.3)	(8.7)	(13.4)	(13.4)	(13.4)
Net Assets		1.3	14.2	63.6	62.3	82.2	1.7	2.0	3.9
Minority interests		(0.1)	(1.8)	(11.0)	(11.7)	(16.2)	(3.3)	1.2	7.0
Shareholders' equity		1.2	12.5	52.6	50.6	66.0	(1.6)	3.2	10.9
CASH FLOW									
Op Cash Flow before WC and tax		(5.0)	3.9	16.0	20.6	36.5	28.3	36.0	48.1
Working capital		6.8	7.9	(4.1)	22.5	(3.1)	3.2	3.7	0.7
Exceptional & other		(2.2)	(5.7)	(5.2)	(6.3)	(8.9)	(4.2)	(2.2)	0.0
Tax		(0.0)	(1.2)	(3.8)	(6.8)	(5.1)	(9.4)	(4.4)	(4.0)
Net operating cash flow		(0.4)	5.0	3.0	30.0	19.4	17.9	33.0	44.7
Capex		(0.2)	(0.1)	(2.5)	(1.2)	(3.8)	(2.2)	(2.0)	(2.0)
Acquisitions/disposals		3.6	14.2	(13.3)	(31.9)	(3.8)	(73.3)	(26.8)	(11.7)
Net interest		(0.0)	(0.3)	0.0	(0.5)	(0.7)	(1.7)	(7.2)	(6.8)
Equity financing		1.9	2.0	(1.4)	0.0	2.4	13.3	0.0	0.0
Dividends		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	(3.6)	(3.6)
Net Cash Flow		5.0	20.1	(14.2)	(3.2)	11.0	(44.1)	(6.6)	20.7
Opening net debt/(cash)		(9.8)	(16.0)	(37.5)	(23.6)	(13.9)	(25.3)	71.2	91.8
FX		(0.6)	0.4	0.3	(0.8)	1.8	2.1	0.0	0.0
Other non-cash movements		1.8	1.1	0.0	(5.7)	(1.3)	(54.5)	(14.0)	(14.0)
Closing net debt/(cash)		(16.0)	(37.5)	(23.6)	(13.9)	(25.3)	71.2	91.8	85.2

Source: Claranova, Edison Investment Research

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