

Claranova **Buy**

Ludovic Allègre, CFA
Equity Research Analyst
+33 1 70 81 57 90

France | IT services & software

MCap: EUR70.1m

Target Price: EUR4.50
Current Price: EUR1.65
Up/downside: 173.1%
Market data: 03 July 2023

Bloomberg: CLA FP
Free float 73%
Avg. daily volume (EURm) 0.2
YTD abs performance -40.0%
52-week high/low (EUR) 3.93/1.65
Reuters: AVQ.PA

Relaunches its EUR20m capital increase, new price of EUR1.65/share

Key points:

- Yesterday (3 July), Claranova launched its new capital increase, after the Commercial Court of Nanterre lifted the suspension order of the initial one last Friday (30 June).
- The amount stays the same (EUR20m, which could be upped to EUR23m in case of full exercise of the extension clause), but the new subscription price has been set at EUR1.65/share (vs. EUR1.75/share previously) in light of the closing price of EUR1.69 last Friday. This is expected to result in the creation of 12.12m shares (13.94m in case of full exercise of the extension clause), representing an additional 7% of shares compared to the initial offering (Link to our last note: [To launch a EUR20m capital increase](#)).
- Back of the envelope, this will result in a c. 20% dilutive impact on our current TP (vs. 15% before). We will await the completion of the operation to factor this into our model.
- The operation runs from 3 to 7 July, with a priority period from 3 to 6 July, and that creditor Lafayette Investment Holdings has reiterated its commitment to participate up to EUR15m.

Lifting of the suspension of the capital increase launched on 16 June

- Recall that Canadian shareholders Daniel Assouline and Michael Dadoun (c. 8% of the capital), together with the association of shareholders Adanova (also c. 8% of the capital), have taken legal action claiming the illegality of this operation (20 June).
- Their argument stemmed from the rejection, by 60% of Claranova shareholders, of the delegation proposed by the group during the last AGM (30 November).
- Claranova has defended its position by stating that the previous delegation, valid until February 2024, was not null and void.

New indicative timetable

Table 1: New Indicative timetable

Date	Comments
03/07/2023	Opening of the priority subscription period, the Public Offering and the Global Placement. Availability of the Prospectus (in French)
06/07/2023	Closing of the priority subscription period at 5:00 p.m. CEST for subscriptions made in person and 8:00 p.m. CEST for online orders (if this possibility is offered to them by their financial intermediary)
07/07/2023	Closing of the Public Offering at 5:00 p.m. CEST for subscriptions made in person and 8:00 p.m. CEST for online orders (if this possibility is offered to them by their financial intermediary)
12/07/2023	Closing of the Global Placement at 5:00 p.m. CEST Determination of the final terms of the capital increase (including the exercise of the extension option, if applicable) Execution of the Placement and Underwriting Agreement Press release announcing the results of the New Offering
17/07/2023	Publication by Euronext of the New Offering results notice Issuance and settlement-delivery of the new shares to be issued in the context of the New Offering Admission to trading of the new shares on Euronext Paris

Sources: Claranova, Kepler Cheuvreux

Appendix 1: Research framework

Last model update: 24 May 2023

Investment case

- Claranova has been totally restructured since the arrival of Pierre Cesarini as CEO in 2013 and has now a more diversified and resilient profile.
- While we acknowledge that short-term visibility is limited at PlanetArt, the worst seems to be behind us. Our case is made up of three catalysts: 1) positive news on scalability from alternative marketing channels at PlanetArt, 2) continued momentum at Avanquest, with M&A, and 3) mid-term take-off of myDevices.
- While there are uncertainties in the short term, we believe the current valuation is already very discounted and limits downside risk. Plus, a potential spin-off of subsidiaries remains a strong driver for our case in the mid term.

Catalysts

- Positive news on scalability at PlanetArt.
- Entrance of new anchor investors in the capital. Top management buying shares.
- Spin-off of PlanetArt and/or Avanquest in the medium term.

Valuation Methodology

- We value Claranova with a SOP.
- PlanetArt's valuation is based on a DCF (WACC 13.7%, 2% g), Avanquest's on a DCF (WACC 13.7%, 2% g), and myDevices' on transaction multiples (2023E EV/sales).
- We derive a fair value/share of EUR4.5.

Risk to our rating

- Macroeconomic risks (decrease in consumers' purchasing power, high input costs, high beta stock).
- New Apple Privacy Policy with iOS 14.5 launch in April 2021 (failure to compensate for a large part of Apple's stricter confidentiality policy, meaning slower top-line growth or margins depending on the balance).
- Competition and client stickiness (increased competition in already highly competitive markets, meaning lower organic growth and/or leading to margin pressure).

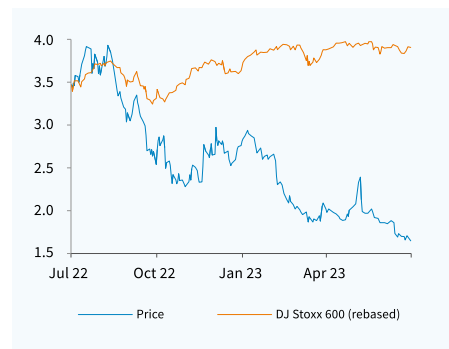
Appendix 2: Company description

Claranova is a France-based technology firm that manages majority interests in the main technology markets (Internet, Mobile, IoT). While French, the group is a global company, deriving 95% of its sales abroad. Since 2013, it has been totally restructured under CEO Cesarini and its strategy redefined towards value creation. Today, it focuses on three businesses: 1) PlanetArt (personalised e-commerce, 77% of sales), 2) Avanquest (B2C SaaS software publishing, 22%), and 3) myDevices (IoT, 1%).

Management Pierre Cesarini, CEO | Xavier Rojo, CFO

Key shareholders Free float: 72.70% | Management: 6.80% | Other institutional funds: 6.40% | Ophir AM & Heights CM: 4.70%

Appendix 3: share price perf.



Appendix 4: SWOT analysis

Strengths

- Leader in mobile-to-print apps.
- International focus (mostly the US, UK).
- Low customer acquisition costs.
- Sound financial situation.

Opportunities

- Increased penetration in the personalised e-commerce market.
- Diversification of mobile-to-print offers.
- Promising connected devices segment (myDevices).
- Spin-off of PlanetArt and/or Avanquest to support a fairer valuation.

Weaknesses

- Presence in highly competitive markets.
- Complicated track record before restructuring.
- High beta stock, high volatility.
- Few institutional investors in the capital.

Threats

- Failure to bypass new Apple Privacy Policy.
- Decrease in consumers' purchasing power due to inflation.
- Low barriers to entry in the mobile app segment.
- Competition with free PC software.

Appendix 5: Key financials

Last model update: 24 May 2023

Market data date: 03 July 2023

FY to 30/06 (EUR)	06/16	06/17	06/18	06/19	06/20	06/21	06/22	06/23E	06/24E	06/25E
Income Statement (EURm)										
Sales	117.4	130.2	161.5	262.3	409.1	471.9	473.6	519.3	554.4	605.7
% Change	26.1%	10.9%	24.0%	62.4%	56.0%	15.4%	0.4%	9.6%	6.8%	9.3%
EBITDA adjusted	-11.2	-5.0	3.8	16.0	17.5	34.2	25.5	30.3	39.0	51.4
EBITDA adj. margin (%)	-9.5%	-3.8%	2.4%	6.1%	4.3%	7.2%	5.4%	5.8%	7.0%	8.5%
EBIT adjusted	-16.1	-10.6	-3.8	14.3	13.4	29.2	18.7	25.6	34.5	47.2
EBIT adj. margin (%)	-13.7%	-8.1%	-2.4%	5.5%	3.3%	6.2%	3.9%	4.9%	6.2%	7.8%
Net financial items & associates	-0.1	0.0	0.0	-48.3	-3.2	-4.1	-6.1	-8.9	-8.9	-8.9
Others	-1.6	-0.9	-0.3	-0.8	-1.3	-2.7	-16.2	-4.3	-4.3	-4.3
Tax	-0.8	-0.4	-1.8	-3.7	-2.1	-3.8	-5.8	-2.4	-4.3	-7.0
Net profit from continuing operations	-28.6	-11.4	-8.3	-41.4	1.2	14.2	-10.1	4.8	11.5	21.0
Net profit from discontinuing activities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net profit before minorities	-28.6	-11.4	-8.3	-41.4	1.2	14.2	-10.1	4.8	11.5	21.0
Net profit reported	-28.6	-11.0	-8.1	-40.8	0.5	10.5	-10.6	4.8	11.4	20.6
Net profit adjusted	-18.6	-6.7	1.4	9.0	5.9	15.4	-10.1	9.7	16.7	26.3
Cash Flow Statement (EURm)										
Levered post tax CF before capex	-11.4	-0.4	5.0	7.1	29.4	18.8	16.1	14.4	22.7	33.4
Capex	-0.9	-0.2	-0.1	-2.5	-1.2	-3.8	-2.2	-5.2	-5.5	-6.1
Free cash flow	-12.4	-0.5	4.9	4.6	28.2	15.0	13.9	9.2	17.2	27.4
Acquisitions & divestments	-0.3	3.6	14.2	-13.3	-31.9	-3.8	-73.4	-24.5	0.0	0.0
Dividend paid	2.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Others	-3.4	3.2	2.4	-5.2	-6.0	0.3	-37.1	0.0	0.0	0.0
Change in net financial debt	14.1	-6.3	-21.5	13.9	9.7	-11.5	96.6	15.3	-17.2	-27.4
Balance Sheet (EURm)										
Intangible assets	1.5	0.9	0.5	69.9	70.5	77.5	96.6	111.2	108.9	106.8
Tangible assets	0.5	0.3	0.2	1.4	15.7	12.2	18.2	24.5	23.5	22.6
Financial & other non-current assets	1.1	0.7	0.6	3.9	7.6	6.7	8.5	8.5	8.5	8.5
Total shareholders' equity	2.1	1.3	14.3	63.6	62.3	83.2	1.9	6.7	18.3	39.2
Pension provisions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Liabilities and provisions	26.4	28.7	66.2	112.5	147.7	141.7	268.2	271.3	276.9	285.1
Net debt	-9.8	-15.9	-37.4	-23.1	-3.4	-15.6	86.3	101.6	84.5	57.1
Net financial debt	-9.8	-16.0	-37.5	-23.6	-13.9	-25.4	71.1	86.4	69.3	41.9
IFRS 16 debt	0.0	0.0	0.0	0.0	10.2	7.6	13.2	13.2	13.2	13.2
Net working capital	-10.2	-15.9	-23.6	-32.3	-32.1	-26.5	-33.5	-34.2	-36.5	-39.9
Invested capital	-8.2	-14.7	-22.9	39.0	54.1	63.2	81.3	101.5	95.8	89.4
Per share data (EUR)										
EPS adjusted	-0.05	-0.02	0.00	0.23	0.15	0.39	-0.24	0.23	0.39	0.62
EPS adj and fully diluted	-0.05	-0.02	0.00	0.23	0.15	0.39	-0.22	0.21	0.36	0.56
% Change	+chg	+chg	+chg	6610.2%	-34.4%	162.0%	-chg	+chg	71.6%	57.9%
EPS reported	-0.08	-0.03	-0.02	-1.04	0.01	0.27	-0.25	0.11	0.27	0.48
Cash flow per share	-0.03	0.00	0.01	0.18	0.75	0.48	0.38	0.34	0.53	0.79
Book value per share	0.01	0.00	0.03	1.34	1.29	1.70	-0.03	0.08	0.35	0.83
Dividend per share	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Number of shares, YE (m)	375.32	375.32	393.61	39.44	39.44	39.73	42.55	42.55	42.55	42.55
Ratios										
ROE (%)	-118.6%	-408.1%	20.4%	27.6%	11.4%	26.2%	-30.8%	959.6%	182.4%	104.7%
ROIC (%)	na	na	na	195.1%	10.5%	39.3%	61.6%	18.8%	25.6%	38.2%
ND(F+IFRS16) / EBITDA (x)	0.9	3.2	-9.9	-1.5	-0.2	-0.5	3.3	3.3	2.1	1.1
Gearing (%)	-466.7%	-1,230.8%	-262.2%	-37.1%	-22.3%	-30.5%	na	na	378.9%	106.8%
Valuation										
P/E adjusted	na	na	na	34.4	45.3	17.0	na	7.2	4.2	2.7
P/E adjusted and fully diluted	na	na	na	35.0	46.1	17.2	na	7.9	4.6	2.9
P/BV	na	na	na	5.9	5.3	3.9	na	20.5	4.7	2.0
P/CF	na	na	na	43.6	9.1	14.0	13.6	4.9	3.1	2.1
Dividend yield (%)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Dividend yield preference shares (%)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	60.7%
FCF yield (%)	-3.4%	-0.1%	0.2%	1.5%	10.5%	5.7%	6.3%	13.1%	24.5%	39.0%
EV/Sales	3.0	6.9	16.7	1.1	0.7	0.6	0.6	0.3	0.3	0.2
EV/EBITDA adj.	na	na	na	18.6	15.8	7.7	12.0	5.7	4.0	2.5
EV/EBIT adj.	na	na	na	20.8	20.6	9.0	16.4	6.7	4.5	2.7

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Total	100%	100%

Source: Kepler Cheuvreux

A: % of all research recommendations

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Local insight, European scale.



Europe

 **Amsterdam**
Kepler Cheuvreux Benelux
Johannes Vermeerstraat 9
1071 DK Amsterdam
+31 20 563 2365

 **London**
Kepler Cheuvreux UK
5th Floor
95 Gresham Street
London EC2V 7NA
+44 20 7621 5100

 **Paris**
Kepler Cheuvreux France
112 Avenue Kleber
75016 Paris
+33 1 53 65 35 00


 **Brussels**
Kepler Cheuvreux Belgium
Rogier Tower
Place Rogier 11
1210 Brussels
+32 11 491460

 **Madrid**
Kepler Cheuvreux Espana
Paseo de la Castellana, 52
28046 Madrid
+34 914 36 5100

 **Stockholm**
Kepler Cheuvreux Sweden
Malmskillnadsgatan 23
11157 Stockholm
+46 8 723 51 00

 **Frankfurt**
Kepler Cheuvreux Germany
Taunusanlage 19
60325 Frankfurt
+49 69 756 960

 **Milan**
Kepler Cheuvreux Italia
Via C. Cornaggia 10
20123 Milan
+39 02 8550 7201

 **Vienna**
Kepler Cheuvreux Austria
Schottenring 16/2
1010 Vienna
+43 1 537 124 147

 **Geneva**
Kepler Cheuvreux SA
Avenue Perdretemps 23,
1260 Nyon
Switzerland
+41 22361 5151

 **Oslo**
Kepler Cheuvreux Norway
Filipstad Brygge 1
Munkedamsveien 59B
0270 Oslo
+47 23 13 9080

 **Zurich**
Kepler Cheuvreux Switzerland
Stadelhoferstrasse 22
8001 Zurich
+41 43 333 66 66

North America

 **New York**
Kepler Capital Markets, Inc.
Tower 49
12 East 49th Street, Floor 36
10017 New York, NY USA
+1 212 710 7600