

# Claranova Hold

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France | IT services &amp; software

**MCap: EUR148.2m**

**Target Price:** EUR2.50  
**Current Price:** EUR2.59  
**Up/downside:** -3.5%  
**Market data:** 28 March 2024

Bloomberg: CLA FP	Reuters: AVQ.PA
Free float	71%
Avg. daily volume (EURm)	0.5
YTD abs performance	21.9%
52-week high/low (EUR)	2.91/1.30

## Governance update and OCEANE refinancing (+)

### Key points:

- Claranova made two new announcements this morning: 1) it provided a new governance structure update; and 2) indicated that it would be refinancing its OCEANE bonds.
- Both moves are positive for the group, as the two issues have been at the centre of the equity story for a long time now. On the governance side, this was just an update after the major board reshuffle at the end of last year, but it demonstrates the group's determination to progress and move beyond its past challenges. Regarding the financing, while not cheap, it represents an improvement over the unfavourable OCEANE deal negotiated in 2021.
- Overall, Claranova now has a clearer way to deliver operationally in our view, even if we still believe that the group's adj. EBITDA guidance for the year is too ambitious with low visibility on PlanetArt's growth recovery, a potential softening of consumer trends in the US and a more difficult comparison basis in H2 on a structurally lower semester.
- Note that we are waiting for the closing of the refinancing operation in the next few days to update our model.

### Governance update

- Claranova has just announced the appointment of Marc Goldberg as its new Chairman. He succeeds Francis Meston, who is retiring from the board.
- Recall that since the end of last year, Francis Meston was chairman, while Marc Goldberg assumed the position of vice-chairman.
- For the record, Goldberg has c. 30 years of experience in tech and finance, with notably a background at Thomson Reuters and Resilience Lab, with the aim of propelling Claranova into a new era of transparency, innovation, and value creation.
- Note that the board also accepted the resignation of Roger Bloxberg, who continues as CEO of Planet Art, while Craig Forman, chair of Claranova's appointments and compensation committee, was named vice-chairman of the board and director Michele Anderson has been named to succeed Mr. Meston as chair of the company's CSR committee.
- The board is now composed of six directors, of whom five have joined the board since the second half of last year.

### Refinancing of the OCEANE debt

- At the same time, Claranova announced the signing of a EUR108m loan agreement, facilitated by Cheyne Capital Management and Heights Capital Management, to refinance its existing OCEANE debt and extend its debt maturity by four years.
- More precisely, the terms of the loan agreement entail a 4-year maturity with quarterly interest payments of 6.5% a year plus the 3-month Euribor benchmark rate. Additionally, Claranova retains the flexibility to opt for interest payments in cash at a rate of 3.25% a year on each due date.
- Furthermore, the refinancing strategy includes adjustments to the SaarLB banking pool debt, aiming to optimise the debt maturity and repayment terms. These measures are reinforced by acceleration provisions and financial covenants, ensuring adherence to stringent financial standards and bolstering Claranova's capacity for sustained growth.
- Note that the transaction is slated to conclude on 4 April, subject to the fulfilment of the customary conditions.
- Below we show the breakdown of the group's financial debt pre- and post-OCEANE bonds refinancing.

Chart 1: Composition of Claranova's financial debt, pre- and post-refinancing

In €m	12/31/2023	Debt Increment / OCEANE prepayment	Debt before refinancing	Refinancing	OCEANE redemption	Other flows	Total Restated post refinancing	Of which short-term
ORNANE bonds	0.0		0.0				0.0	
Euro PP bond	19.6		19.6				19.6	19.6
OCEANE bonds	79.8	+13.2	93.0	(48.0)	(45.0)		0.0	
<b>Bonds</b>	<b>99.4</b>	<b>+13.2</b>	<b>112.6</b>	<b>(48.0)</b>	<b>(45.0)</b>	<b>+0.0</b>	<b>19.6</b>	<b>19.6</b>
New loan <sup>2</sup>	0.0		0.0	+108.0			108.0	
Existing borrowings	36.1		36.1			(5.0)	31.1	10.2
Interest not yet due	2.0		2.0				2.0	2.0
<b>Total gross financial debt</b>	<b>137.5</b>	<b>+13.2</b>	<b>150.7</b>	<b>60.0</b>	<b>(45.0)</b>	<b>(5.0)</b>	<b>160.7</b>	<b>31.8</b>
<b>Cash</b>	<b>96.6</b>		<b>96.6</b>	<b>+60.0</b>	<b>(45.0)</b>	<b>(5.0)</b>	<b>106.6</b>	<b>106.6</b>
<b>Net financial debt</b>	<b>40.9</b>	<b>+13.2</b>	<b>54.1</b>	<b>+0.0</b>	<b>+0.0</b>	<b>+0.0</b>	<b>54.1</b>	<b>-74.8</b>

Sources: Claranova, Kepler Cheuvreux

**Our take (+)**

- Both moves are positive for the group in our view, as the two problems have been at the centre of the equity story.
- In terms of governance, this update follows a significant board reshuffle at the end of last year, signalling the group's commitment to moving forward after previous challenges. Regarding the financing, although it is not inexpensive, the terms are an improvement over the unfavourable OCEANE deal negotiated in 2021.
- Claranova now has a clearer path to deliver operationally, though we remain cautious about the group's ambitious adj. EBITDA guidance for the year. Factors such as an uncertain growth recovery for PlanetArt, a potential normalisation of US consumer trends, and a tougher comparison in H2 suggest a more challenging landscape.
- Note that we are waiting for the closing of the refinancing operation in the next few days to update our model.

**Appendix 1: Research framework**

Last model update: 22 March 2024

**Investment case**

- Claranova’s share price has taken several hits over the past few quarters amid changes in Apple’s App Tracking Transparency, Covid normalisation, a dilutive capital increase, governance issues, and poor market conditions.
- We see the FY 2023/24 guidance as too ambitious, on tough market conditions and limited visibility on PlanetArt's business recovery.
- We prefer to keep a more cautious stance at this stage, and wait for a confirmation of a return to a sustainable and profitable growth path.

**Catalysts**

- (-) Guidance miss on too ambitious targets and tough macro.
- (+) Improvement at PlanetArt (scalability, profitability).
- (+) Confirmed momentum at Avanquest, sale of all non-core activities, and/or M&A.

**Valuation Methodology**

- We value Claranova with a SOP.
- PlanetArt's valuation is based on a DCF (WACC 15.5%, 2% g), Avanquest's on a DCF (WACC 15.5%, 2% g), and myDevices' on transaction multiples (2024E EV/sales).
- We derive a fair value/share of EUR2.5.

**Risk to our rating**

- (+) Guidance reached in FY 2023/24, gradually restoring investor confidence.
- (-) Macroeconomic risks (decrease in consumer purchasing power, high input costs, high beta stock).
- (-) Failure to compensate for a large part of Apple's stricter confidentiality policy, meaning slower volume and potentially hit on profitability.

**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, 75% of sales), 2) Avanquest (B2C SaaS software publishing, 23%), and 3) myDevices (IoT, 2%).

<b>Mgmt</b>	Pierre Cesarini, CEO   Xavier Rojo, CFO
<b>Ownership</b>	Free float: 70.80%   Pierre Cesarini: 4.48%   LIH: 15.89%   Minority shareholders concert: 7.17%

**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.
- Improved 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 unlock value.

**Weaknesses**

- Presence in highly competitive markets.
- Weak track record, and governance issues.
- High beta stock, high volatility.
- Few institutional investors in the capital.

**Threats**

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

Appendix 5: Key financials

Last model update: 22 March 2024

Market data date: 28 March 2024

FY to 30/06 (EUR)	06/17	06/18	06/19	06/20	06/21	06/22	06/23	06/24E	06/25E	06/26E
<b>Income Statement (EURm)</b>										
Sales	130.2	161.5	262.3	409.1	471.9	473.6	507.0	523.7	549.0	580.1
% Change	10.9%	24.0%	62.4%	56.0%	15.4%	0.4%	7.1%	3.3%	4.8%	5.7%
EBITDA adjusted	-5.0	3.8	16.0	17.5	34.2	25.5	32.5	42.0	48.0	57.0
EBITDA adj. margin (%)	-3.8%	2.4%	6.1%	4.3%	7.2%	5.4%	6.4%	8.0%	8.7%	9.8%
EBIT adjusted	-10.6	-3.8	14.3	13.4	29.2	18.7	24.6	33.6	39.2	48.9
EBIT adj. margin (%)	-8.1%	-2.4%	5.5%	3.3%	6.2%	3.9%	4.9%	6.4%	7.1%	8.4%
Net financial items & associates	0.0	0.0	-48.3	-3.2	-4.1	-6.1	-5.0	-4.2	-15.9	-15.9
Others	-0.9	-0.3	-0.8	-1.3	-2.7	-16.2	-23.1	-16.0	0.0	0.0
Tax	-0.4	-1.8	-3.7	-2.1	-3.8	-5.7	-2.0	-2.0	-4.4	-6.8
Net profit from continuing operations	-11.4	-8.3	-41.4	1.2	14.2	-10.0	-10.8	6.1	13.3	20.4
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	-11.4	-8.3	-41.4	1.2	14.2	-10.0	-10.8	6.1	13.3	20.4
Net profit reported	-11.0	-8.1	-40.8	0.5	10.5	-10.5	-10.6	6.0	12.9	19.5
Net profit adjusted	-8.1	-1.7	-7.4	4.0	13.9	-10.0	-6.6	9.9	17.0	23.9
<b>Cash Flow Statement (EURm)</b>										
Levered post tax CF before capex	-0.4	5.0	7.1	29.4	18.8	16.1	9.3	19.2	27.0	33.4
Capex	-0.2	-0.1	-2.5	-1.2	-3.8	-2.2	-10.9	-7.9	-8.2	-8.7
Free cash flow	-0.5	4.9	4.6	28.2	15.0	13.9	-1.6	11.4	18.8	24.7
Acquisitions & divestments	3.6	14.2	-13.3	-31.9	-3.8	-73.4	-21.2	0.0	0.0	0.0
Dividend paid	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Others	3.2	2.4	-5.2	-6.0	0.3	-37.0	-18.1	17.3	0.0	0.0
Change in net financial debt	-6.3	-21.5	13.9	9.7	-11.5	96.5	40.9	-28.7	-18.8	-24.7
<b>Balance Sheet (EURm)</b>										
Intangible assets	0.9	0.5	69.9	70.5	77.5	96.6	120.1	117.4	115.0	113.7
Tangible assets	0.3	0.2	1.4	15.7	12.2	18.2	18.2	16.7	15.3	14.3
Financial & other non-current assets	0.7	0.6	3.9	7.6	6.7	8.5	13.5	13.5	13.5	13.5
Total shareholders' equity	1.3	14.3	63.6	62.3	83.2	1.9	-16.4	7.0	20.4	40.8
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	28.7	66.2	112.5	147.7	141.7	268.2	280.8	268.3	272.1	276.8
Net debt	-15.9	-37.4	-23.1	-3.4	-15.6	86.3	126.7	98.0	79.3	54.6
Net financial debt	-16.0	-37.5	-23.6	-13.9	-25.4	71.1	112.0	83.3	64.6	39.9
IFRS 16 debt	0.0	0.0	0.0	10.2	7.6	13.2	13.1	13.1	13.1	13.1
Net working capital	-16.0	-23.7	-32.3	-32.0	-26.5	-33.5	-32.0	-33.0	-34.6	-36.6
Invested capital	-14.8	-23.0	39.0	54.2	63.2	81.3	106.3	101.1	95.6	91.3
<b>Per share data (EUR)</b>										
EPS adjusted	-0.02	0.00	-0.19	0.10	0.35	-0.23	-0.15	0.19	0.30	0.42
EPS adj and fully diluted	-0.02	0.00	-0.19	0.10	0.35	-0.21	-0.13	0.18	0.28	0.39
% Change	+chg	+chg	-chg	+chg	248.3%	-chg	+chg	+chg	56.0%	40.5%
EPS reported	-0.03	-0.02	-1.04	0.01	0.27	-0.25	-0.23	0.12	0.23	0.34
Cash flow per share	0.00	0.01	0.18	0.75	0.48	0.38	0.20	0.38	0.48	0.59
Book value per share	0.00	0.03	1.34	1.29	1.70	-0.03	-0.42	0.08	0.30	0.64
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	393.61	39.44	39.44	39.73	45.99	45.99	57.21	57.21	57.21
<b>Ratios</b>										
ROE (%)	-494.9%	-25.3%	-22.8%	7.8%	23.6%	-30.4%	na	na	163.0%	89.6%
ROIC (%)	na	na	196.3%	10.5%	39.2%	60.2%	32.2%	24.3%	29.9%	39.2%
ND(F+IFRS16) / EBITDA (x)	3.2	-9.9	-1.5	-0.2	-0.5	3.3	3.8	2.3	1.6	0.9
Gearing (%)	-1,230.8%	-262.2%	-37.1%	-22.3%	-30.5%	na	na	na	317.0%	97.9%
<b>Valuation</b>										
P/E adjusted	na	na	na	66.8	18.9	na	na	13.4	8.6	6.2
P/E adjusted and fully diluted	na	na	na	68.1	19.1	na	na	14.5	9.3	6.6
P/BV	na	na	5.9	5.3	3.9	na	na	33.2	8.7	4.0
P/CF	na	na	43.6	9.1	14.0	13.6	12.6	6.9	5.4	4.4
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%	38.6%	77.2%
FCF yield (%)	-0.1%	0.2%	1.5%	10.5%	5.7%	5.9%	-1.4%	7.7%	12.7%	16.7%
EV/Sales	6.9	16.7	1.1	0.7	0.6	0.7	0.5	0.5	0.4	0.4
EV/EBITDA adj.	na	na	18.6	15.8	7.7	12.7	7.5	5.9	4.8	3.6
EV/EBIT adj.	na	na	20.8	20.6	9.0	17.3	10.0	7.3	5.8	4.2

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Total	100%	100%

Source: Kepler Cheuvreux

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	13/10/2023 05:30	Equity Research	Hold	2.00	1.59
	10/11/2023 05:43	Equity Research	Hold	1.50	1.45
	09/02/2024 06:51	Equity Research	Hold	2.50	2.42

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