

# Claranova

H124 &amp; Q324 results

## EBITDA improvement across all divisions

Software and comp services

On relatively flat H124 revenue, Claranova grew adjusted EBITDA more than 50% year-on-year as the focus on profitability over growth started to deliver. With Avanquest's loss-making non-core business reducing, myDevices hitting break-even and customer acquisition costs back under control in PlanetArt, the company is better positioned to drive profitable growth. Management is targeting an adjusted EBITDA margin of c 10% in FY24. The company has refinanced its debt, providing funds to repay the OCEANE convertible debt that was due for repayment from August, with the maturity of the new debt extended to April 2028. A new CEO and chairman have been appointed and a strategic review is underway.

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	23.4
06/23	507.0	32.5	2.2	0.05	0.0	54.4
06/24e	502.3	43.4	17.3	0.21	0.0	11.9
06/25e	535.6	49.5	29.8	0.38	0.0	6.5

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

## H124 EBITDA growth of 58% y-o-y, margin 9.1%

Claranova reported H124 revenue of €301m (+1% y-o-y in constant currency (cc)) and adjusted EBITDA of €27.5m (margin 9.1%), up 58% y-o-y. Net income of €1.7m compared to a net loss of €3.9m in H123. The company closed H124 with net debt of €40.8m, down from €112.0m at the end of FY23, reflecting strong cash generation (boosted by seasonal working capital inflows) and the capital raise in July 2023. Q324 revenue grew 4% y-o-y (2% cc). On 2 April, Claranova confirmed that it had refinanced its debt, providing funds to repay OCEANEs worth €93m that are redeemable from August and extending the maturity to April 2028.

## Targeting double-digit margins

Management continues to target an adjusted EBITDA margin of c 10% in FY24. We have revised our forecasts to reflect H124 results and the Q1 revenue update with minimal changes to revenue and EBITDA forecasts. Our FY24 margin forecast of 8.6% is below the company's target – in our view, return to revenue growth in PlanetArt is the main lever for margin growth in H224 and beyond. We have also factored in the new debt.

## Valuation: PlanetArt growth key to upside

Reflecting the different divisional business models, we use a sum-of-the-parts valuation approach. 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 per-share value of €5.5, before applying any group holding discount. With the recent debt refinancing and the board refresh addressing major shareholder concerns, we view consistent growth in revenues and margins towards Claranova's targets as fundamental to reducing the discount to peers, in particular evidence of sustained revenue growth in PlanetArt while balancing profitability.

8 May 2024

**Price** €2.50

**Market cap** €142m

\$1.08/€

Net debt (€m) at end H124 40.8

Shares in issue 56.8m

Free float 84%

Code CLA

Primary exchange Euronext Paris

Secondary exchange N/A

### Share price performance



% 1m 3m 12m

Abs 7.3 (0.8) 2

Rel (local) 6.9 (6.5) 11.2

52-week high/low €2.91 €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 events

Q424 revenue update 1 August 2024

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## Review of H124 results

Claranova reported H124 results as per Exhibit 1. Revenue declined 4% (+1% in constant currency (cc)) while EBITDA increased 55% y-o-y (58% cc) reflecting the group's focus on profitability over growth. Net finance costs included €9m amortisation of the OCEANE debt. The effective tax rate of 74% reflected the effect of finance charges that are not allowable for tax purposes. The company reported positive net income of €2.2m, or €1.7m after minority interest deduction. Net debt at end H124 reduced to €40.8m, down from €112.0m at the end of FY23, reflecting a €71.8m cash inflow from operating activities (which included a €49.3m working capital inflow) offset by investing outflow of €1.1m and financing outflow of €39.0m (which included the repayment of ORNANE debt for €29m).

Exhibit 1: H124 results highlights			
€m	H124	H123	y-o-y
Revenues	300.9	314.6	-4.3%
EBITDA	30.1	19.5	54.5%
Lease payments (IFRS 16 adjustment)	(2.6)	(2.1)	
Adjusted EBITDA	27.5	17.4	58.1%
D&A	(3.4)	(3.0)	
Normalised EBIT	26.8	16.5	62.2%
Share-based payments	(0.3)	(0.5)	
Exceptional items	(1.9)	(2.2)	
Acquired amortisation	(2.6)	(2.2)	
Reported EBIT	21.9	11.6	89.1%
Net finance cost	(13.5)	(12.4)	
Reported PBT	8.4	(0.8)	N/A
Tax	(6.2)	(3.6)	
Profit after tax	2.2	(4.5)	N/A
Minority interest (MI)	(0.5)	0.6	
Net income after MI	1.7	(3.9)	N/A
Net debt/(cash)	40.8	64.8	-37.0%

Source: Claranova

Claranova reported divisional revenue in [February](#). We discuss EBITDA performance below.

Exhibit 2: Divisional performance						
€m	Revenues		y-o-y		y-o-y	
	H124	H123	Reported	Constant currency	Organic	Constant currency organic
PlanetArt	235	255	(8%)	(3%)	(8%)	(3%)
Avanquest	61	57	7%	14%	7%	14%
myDevices	5	3	67%	78%	67%	78%
Total	301	315	(4%)	1%	(4%)	1%
	EBITDA		EBITDA margin			
	H124	H123	H124	H123		
PlanetArt	16.6	12.7	7.1%	5.0%		
Avanquest	10.9	6.3	17.8%	11.0%		
myDevices	(0.0)	(1.6)	-0.7%	-54.9%		
Total	27.5	17.4	9.1%	5.5%		

Source: Claranova

On 7 May, the company reported its Q324 revenue update as per Exhibit 3.

**Exhibit 3: Q324 revenue update**

Revenues (€m)	Q324	Q323	y-o-y	
			Reported	Constant currency
PlanetArt	61	60	2%	(2%)
Avanquest	31	29	7%	8%
myDevices	2	2	18%	18%
Total	94	91	4%	2%
	<b>9M24</b>	<b>9M23</b>		
PlanetArt	296	314	(6%)	(3%)
Avanquest	92	86	7%	12%
myDevices	7	5	48%	54%
Total	395	405	(2%)	1%

Source: Claranova

### PlanetArt: H124 EBITDA growth of 31% y-o-y

The company saw a revenue decline of 8% y-o-y in H124 (3% decline cc) as the business continued to focus on optimising customer acquisition costs, which are now down to the level they were at prior to the introduction of Apple's app tracking transparency (ATT) policy. Through a combination of optimising operating costs and stabilisation of raw material and shipping costs, the business was able to grow EBITDA 31% y-o-y (37% cc) and expand the margin by 2.1pp to 7.1%. In Q324, the division saw a 2% y-o-y revenue decline in cc and 2% growth on a reported basis. The challenge for the business now is to scale its customer acquisition channels' profitability to drive revenue and profit growth, which includes evolving its pricing policies.

### Avanquest: H124 EBITDA growth of 73% y-o-y

Avanquest H124 revenue increased 7% y-o-y (14% cc) helped by growth of the core business of 18% (26% cc). The core business made up 87% of divisional revenue in H124, up from 81% in H123. Security software saw 40% y-o-y growth, PDF 9% and Photo 13%. Divisional EBITDA increased 73% y-o-y, with core EBITDA of €12m (€14m less €2m in corporate costs), up from €7m in H123 (€9m less €2m in corporate costs). The EBITDA margin increased 6.8pp to 17.8%. Management expects the positive momentum to continue in H2 with a full year improvement in profitability. In Q324, the division grew 8% y-o-y on a cc basis and 7% on a reported basis. For 9M24, core business revenue made up 90% of divisional revenue with non-core revenue of €9m for the nine months, down 43% y-o-y post the disposal of a large proportion of non-core business in H124.

### myDevices: Break-even EBITDA in H124

myDevices H124 revenue increased 66% y-o-y (78% cc) and in Q324 increased 18% y-o-y (18% cc). myDevices broke even at the EBITDA level in H124. Revenue has benefited from large-scale deployments by partners along with increased sales of sensors and the related installation and commissioning services. 210 partners were rolling out solutions by end-Q324 and annual recurring revenue (ARR) rose 5% y-o-y (10% cc) to €3.4m. To support business development in Europe and drive growth outside the US, the group created myDevices Europe, a wholly-owned subsidiary of myDevices.

### Debt refinanced

On 2 April, Claranova confirmed it had successfully refinanced its debt. A new term loan of €108m has been taken out via an agreement with funds managed by Cheyne Capital Management (€60m) and Heights Capital Management (€48m; the holder of the OCEANE bonds). The debt is due for repayment in full on 4 April 2028. Interest is payable on a quarterly basis at an annual rate of three-month Euribor plus 6.5%. The debt holders are also entitled to an additional interest payment on a

quarterly basis. This is either accrued and paid at the end of the term (rate: 3.75% per year) or paid in cash on a quarterly basis (rate 3.25% per year) at the company's choice. We have conservatively assumed the interest is repaid at the end of the term. The OCEANE bonds, which were potentially redeemable by the holder from August (value €93m at that date, equivalent to €100m less interest paid to that date), will be repaid with the proceeds of the new debt. This results in a net repayment of €45m to Heights Capital Management (€93m owed less €48m in new debt).

The company has also refinanced €17.5m of debt issued by the SaarLB banking syndicate. Tranche A worth €12.5m was repayable over the next four years and Tranche B worth €5m was due for repayment on 1 July 2028. Claranova will repay Tranche B immediately, leaving €12.5m to be repaid from 1 July 2024 to 1 July 2028. Interest will be payable half-yearly at a rate of six-month Euribor plus 3.5%.

The proceeds of €108m will be split as €93m repayment of OCEANEs, €5m repayment of SaarLB debt, €7.1m costs relating to the refinancing and €2.9m to strengthen the cash position.

The debt is subject to the following covenants, tested quarterly:

- Net debt/EBITDA: end FY24 <3.6x, end Q125 <3.5x, from end Q225 to end Q126 <2.5x and thereafter <2.25x.
- Interest cover: >2.0x.
- Gross cash: at least €10m.

We estimate that by the end of FY24, Claranova will have gross debt totalling €147m (new loan €108m, other debt €39m) and net debt of €106m, equating to a net debt/EBITDA ratio of 2.4x.

## **Board changes – new CEO and chairman**

Addressing shareholder concerns, the company recently refreshed the board and initiated a strategic review. On 15 April, the company announced that group CEO Pierre Cesarini had left the company and has been replaced by Eric Gareau, who has been the CEO of Avanquest since 2021 and will retain that role also.

On 2 April, Claranova announced that a new chairman, Marc Goldberg, had been appointed after Francis Meston resigned from the role. Marc Goldberg, currently a 16% shareholder via Lafayette Investments, was previously vice-chairman and has been appointed to the role effective immediately. Existing Non-executive Director Craig Forman has been appointed vice-chairman. Roger Bloxberg has resigned from the board but will continue in his role as CEO of PlanetArt.

## **Outlook and changes to forecasts**

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The company continues to target an adjusted EBITDA margin of c 10% for FY24. We have revised our forecasts to reflect H124 results and the Q324 revenue update and we have increased our net finance costs to reflect higher amortisation of the OCEANE debt to reach the repayment value. We have reduced the amortisation factored into FY25 to offset this. We have factored in the interest costs on the new debt and the €7.1m in costs to refinance the debt.

**Exhibit 4: Changes to forecasts**

€m	FY24e				FY25e			
	Old	New	Change	y-o-y	Old	New	Change	y-o-y
<b>Revenues</b>	<b>499.8</b>	<b>502.3</b>	<b>0.5%</b>	<b>(0.9%)</b>	<b>529.7</b>	<b>535.6</b>	<b>1.1%</b>	<b>6.6%</b>
EBITDA	47.5	48.7	2.4%	34.0%	53.4	54.9	2.7%	12.8%
EBITDA margin	9.5%	9.7%	0.2%	2.5%	10.1%	10.2%	0.2%	0.6%
<b>EBITDA - pre IFRS 16</b>	<b>43.3</b>	<b>43.4</b>	<b>0.3%</b>	<b>33.6%</b>	<b>49.1</b>	<b>49.5</b>	<b>0.8%</b>	<b>14.0%</b>
<b>EBITDA margin - pre IFRS 16</b>	<b>8.7%</b>	<b>8.6%</b>	<b>(0.0%)</b>	<b>2.2%</b>	<b>9.3%</b>	<b>9.2%</b>	<b>(0.0%)</b>	<b>0.6%</b>
Normalised operating profit	40.8	42.0	2.7%	38.5%	46.3	47.8	3.2%	13.9%
Normalised operating margin	8.2%	8.4%	0.2%	2.4%	8.7%	8.9%	0.2%	0.6%
Reported operating profit	33.2	34.2	2.9%	77.3%	40.7	42.0	3.1%	22.7%
Reported operating margin	6.7%	6.8%	0.2%	3.0%	7.7%	7.8%	0.2%	1.0%
Normalised PBT	20.8	17.3	(16.8%)	684.3%	26.2	29.8	13.5%	72.4%
Reported PBT	13.2	2.4	(81.4%)	(127.8%)	20.6	24.0	16.3%	881.5%
Normalised net income	15.2	12.7	(16.7%)	454.9%	19.2	22.0	14.2%	73.1%
Reported net income	9.4	-3.0	(131.9%)	(71.7%)	14.9	17.5	17.3%	(684.3%)
Normalised basic EPS (€)	0.27	0.23	(16.7%)	350.8%	0.34	0.39	14.2%	71.1%
Normalised diluted EPS (€)	0.25	0.21	(16.7%)	358.1%	0.32	0.38	21.9%	82.8%
Reported basic EPS (€)	0.17	-0.05	(131.9%)	(77.0%)	0.26	0.31	17.3%	(677.6%)
<b>Net debt/(cash)</b>	<b>93.5</b>	<b>105.7</b>	<b>13.1%</b>	<b>(5.6%)</b>	<b>71.4</b>	<b>80.7</b>	<b>13.0%</b>	<b>(23.7%)</b>
<b>Net debt/EBITDA (x)</b>	<b>2.2</b>	<b>2.4</b>			<b>1.5</b>	<b>1.6</b>		
<u>Divisional revenues</u>								
PlanetArt	367.1	367.6	0.1%	(3.9%)	390.1	391.2	0.3%	6.4%
Avanquest	121.5	124.2	2.2%	6.8%	127.8	132.7	3.8%	6.9%
myDevices	11.2	10.5	(6.2%)	28.1%	11.8	11.8	0.0%	12.5%
Total	499.8	502.3	0.5%	(0.9%)	529.7	535.6	1.1%	6.6%
<u>Divisional EBITDA</u>								
PlanetArt	19.5	19.9	2.2%	32.0%	21.2	21.6	1.9%	8.3%
Avanquest	22.5	22.9	1.8%	32.4%	25.8	25.8	0.0%	12.7%
myDevices	1.3	0.6	(55.6%)	468.0%	2.1	2.1	0.0%	269.7%
Total EBITDA - pre IFRS 16	43.3	43.4	0.3%	33.6%	49.1	49.5	0.8%	14.0%
<u>Divisional EBITDA margin</u>								
PlanetArt	5.3%	5.4%	0.1%	1.5%	5.4%	5.5%	0.1%	0.1%
Avanquest	18.5%	18.4%	(0.1%)	3.6%	20.2%	19.4%	(0.7%)	1.0%
myDevices	11.4%	5.4%	(6.0%)	4.2%	17.8%	17.8%	0.0%	12.4%
Total EBITDA margin - pre IFRS 16	8.7%	8.6%	(0.0%)	2.2%	9.3%	9.2%	(0.0%)	0.6%

Source: Edison Investment Research

**Exhibit 5: Financial summary**

	€m	2019	2020	2021	2022	2023	2024e	2025e
30-June		IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
<b>INCOME STATEMENT</b>								
Revenue		262.3	409.1	470.6	473.7	507.0	502.3	535.6
EBITDA		16.0	20.6	36.5	28.3	36.3	48.7	54.9
Company adjusted EBITDA		16.0	17.4	32.9	25.5	32.5	43.4	49.5
Normalised operating profit		15.5	15.8	31.0	23.7	30.3	42.0	47.8
Amortisation of acquired intangibles		(1.5)	(2.4)	(3.1)	(3.8)	(4.8)	(5.2)	(5.2)
Exceptionals		(2.9)	(5.6)	(4.4)	(0.7)	(5.3)	(1.9)	0.0
Share-based payments		0.3	0.0	0.0	(1.2)	(0.9)	(0.6)	(0.6)
Reported operating profit		11.4	7.8	23.5	18.0	19.3	34.2	42.0
Net Interest		(3.5)	(4.5)	(6.8)	(16.5)	(28.1)	(24.7)	(18.0)
Joint ventures & associates (post tax)		0.0	0.0	0.0	0.0	0.0	0.0	0.0
Exceptionals		(45.6)	0.0	0.0	(5.7)	0.0	(7.1)	0.0
Profit Before Tax (norm)		12.0	11.3	24.2	7.2	2.2	17.3	29.8
Profit Before Tax (reported)		(37.7)	3.3	16.7	(4.2)	(8.8)	2.4	24.0
Reported tax		(3.7)	(2.1)	(3.5)	(5.7)	(2.0)	(4.8)	(5.5)
Profit After Tax (norm)		9.2	8.7	18.6	5.5	2.1	13.3	22.9
Profit After Tax (reported)		(41.4)	1.2	13.2	(10.0)	(10.8)	(2.4)	18.5
Minority interests		0.6	(0.7)	(3.7)	(0.5)	0.2	(0.6)	(1.0)
Discontinued operations		0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net income (normalised)		9.8	8.0	14.9	5.0	2.3	12.7	22.0
Net income (reported)		(40.8)	0.5	9.5	(10.5)	(10.6)	(3.0)	17.5
Basic ave. number of shares outstanding (m)		39	39	39	43	46	56	57
EPS - basic normalised (€)		0.25	0.20	0.38	0.12	0.05	0.23	0.39
EPS - diluted normalised (€)		0.25	0.20	0.37	0.11	0.05	0.21	0.38
EPS - basic reported (€)		(1.04)	0.01	0.24	(0.25)	(0.23)	(0.05)	0.31
Dividend (€)		0.00	0.00	0.00	0.00	0.00	0.00	0.00
Revenue growth (%)		62.4	56.0	15.0	0.7	7.0	(0.9)	6.6
EBITDA Margin (%)		6.1	5.0	7.7	6.0	7.2	9.7	10.2
Company adjusted EBITDA margin (%)		6.1	4.3	7.0	5.4	6.4	8.6	9.2
Normalised Operating Margin		5.9	3.9	6.6	5.0	6.0	8.4	8.9
<b>BALANCE SHEET</b>								
Fixed Assets		75.1	93.7	96.6	123.3	151.8	153.1	148.4
Intangible Assets		69.9	70.5	77.5	96.6	120.1	121.3	116.5
Tangible Assets		1.4	15.7	12.2	18.2	18.2	18.3	18.4
Investments & other		3.8	7.5	6.9	8.5	13.5	13.5	13.5
Current Assets		100.9	116.3	128.4	146.8	112.6	85.4	106.6
Stocks		4.8	14.4	16.1	22.0	20.4	20.2	21.6
Debtors		11.6	9.9	9.2	8.3	9.8	9.7	10.4
Cash & cash equivalents		75.4	82.8	90.4	100.3	66.8	41.4	60.6
Other		9.1	9.2	12.7	16.2	15.6	14.1	14.1
Current Liabilities		(60.5)	(74.6)	(76.7)	(106.0)	(176.2)	(93.4)	(97.6)
Creditors		(54.8)	(64.3)	(63.8)	(78.1)	(74.1)	(71.7)	(75.9)
Tax and social security		(3.0)	(1.2)	(2.0)	(1.9)	(2.1)	(2.1)	(2.1)
Short term borrowings		(2.7)	(6.1)	(7.7)	(22.6)	(93.8)	(15.0)	(15.0)
Other		0.0	(3.0)	(3.2)	(3.4)	(6.2)	(4.6)	(4.6)
Long Term Liabilities		(52.0)	(73.1)	(66.1)	(162.2)	(104.6)	(151.7)	(145.8)
Long term borrowings		(49.1)	(62.8)	(57.4)	(148.9)	(85.0)	(132.1)	(126.2)
Other long term liabilities		(2.9)	(10.3)	(8.7)	(13.3)	(19.6)	(19.6)	(19.6)
Net Assets		63.6	62.3	82.2	1.9	(16.4)	(6.6)	11.5
Minority interests		(11.0)	(11.7)	(16.2)	(3.3)	(2.9)	2.2	2.2
Shareholders' equity		52.6	50.6	66.0	(1.4)	(19.3)	(4.4)	13.7
<b>CASH FLOW</b>								
Op Cash Flow before WC and tax		16.0	20.6	36.5	28.3	36.3	48.7	54.9
Working capital		(4.1)	22.5	(3.1)	3.2	(12.9)	(2.2)	2.3
Exceptional & other		(5.2)	(6.3)	(8.9)	(4.2)	(8.1)	(9.0)	0.0
Tax		(3.8)	(6.8)	(5.1)	(9.4)	(6.0)	(4.8)	(5.5)
Net operating cash flow		3.0	30.0	19.4	17.9	9.3	32.6	51.6
Capex		(2.5)	(1.2)	(3.8)	(2.2)	(10.9)	(4.0)	(4.0)
Acquisitions/disposals		(13.3)	(31.9)	(3.8)	(73.3)	(21.2)	(11.2)	(1.0)
Net interest		0.0	(0.5)	(0.7)	(1.7)	0.0	(2.6)	(13.8)
Equity financing		(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
Other		0.0	0.4	(2.6)	1.9	(3.4)	(3.6)	(3.6)
Net Cash Flow		(14.2)	(3.2)	11.0	(44.1)	(26.5)	28.6	29.2
Opening net debt/(cash)		(37.5)	(23.6)	(13.9)	(25.3)	71.2	112.0	105.7
FX		0.3	(0.8)	1.8	2.1	(0.5)	0.0	0.0
Other non-cash movements		0.0	(5.7)	(1.3)	(54.5)	(13.8)	(22.3)	(4.1)
Closing net debt/(cash)		(23.6)	(13.9)	(25.3)	71.2	112.0	105.7	80.7

Source: Claranova, Edison Investment Research

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