

# Claranova Hold

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France | IT services & software

**MCap: EUR143.0m**

**Target Price:** EUR2.50  
**Current Price:** EUR2.50  
**Up/downside:** 0.0%  
**Market data:** 07 May 2024

Bloomberg: CLA FP  
Free float: 71%  
Avg. daily volume (EURm): 0.5  
YTD abs performance: 17.6%  
52-week high/low (EUR): 2.91/1.30  
Reuters: AVQ.PA

## No major surprises in Q3

### Key points:

- Q3 sales were slightly below expectations at EUR94m (+4% YOY, +2% LFL, or 4% below KECH), largely due to PlanetArt's sluggish growth. Meanwhile, Avanquest maintains growth momentum.
- Following this release, Claranova reaffirmed its profitability outlook for the year, aiming for an adj. EBITDA margin of c. 10%. We still believe it is too ambitious on low visibility on PlanetArt's growth recovery, a more difficult comparison basis in H2 on a structurally lower semester and a potential delay in selling Avanquest's remaining non-core business.
- We appreciate the recent steps taken by the company to improve its governance and balance sheet, but still wait for concrete initiatives to propel Claranova's turnaround and secure sustainable profitability. Hold, EUR2.50 maintained.

### Q3 sales a bit below our expectations, PlanetArt still lagging

- Claranova reported after market close Q3 2023/24 sales of EUR94m (+4% YOY, +2% LFL) slightly below our expectations (KECH: EUR98m), after respectively flat and +1% LFL growth in Q1 and Q2.
- By division, PlanetArt (EUR61m, +2% YOY, -2% LFL) continued to post slower growth, still working on operational efficiency and maximising ROI on marketing investments, while Avanquest (EUR31m, +7% YOY, +8% LFL) kept on its growth momentum, driven by its core-activities (90% of sales division now vs. 82% one year ago) and especially Adaware (Security) and Soda (PDF). Eventually, myDevices (EUR2m, +18% YOY and LFL) saw more deployments by partners, but ARR stayed stable QOQ, ending at EUR3.4m end-March.
- Overall, 9M sales stood at EUR395m, down -2% YOY and up 1% LFL, or 1% below our forecasts (KECH: EUR405m).

**Table 1: Q3 2023/24 sales overview**

EURm	Q3 2023/24	Q3 2022/23	% YOY	% ccy	% constant perimeter	% LFL	KECH	A vs. E
PlanetArt	61	60	2%	-2%	2%	-2%	64	-4%
Avanquest	31	29	7%	8%	7%	8%	32	-2%
myDevices	2	2	18%	18%	18%	18%	3	-23%
<b>Total revenue - Group</b>	<b>94</b>	<b>91</b>	<b>4%</b>	<b>2%</b>	<b>4%</b>	<b>2%</b>	<b>98</b>	<b>-4%</b>

Sources: Claranova, Kepler Cheuvreux

**Table 2: 9M 2023/24 sales summary**

EURm	9M 2023/24	9M 2022/23	% YOY	% ccy	% constant perimeter	% LFL	KECH	A vs. E
PlanetArt	296	314	-6%	-3%	-6%	-3%	299	-1%
Avanquest	92	86	7%	12%	7%	12%	94	-2%
myDevices	7	5	48%	54%	48%	54%	8	-8%
<b>Total revenue - Group</b>	<b>395</b>	<b>405</b>	<b>-2%</b>	<b>1%</b>	<b>-2%</b>	<b>1%</b>	<b>400</b>	<b>-1%</b>

Sources: Claranova, Kepler Cheuvreux

### Profitability outlook reiterated for the year, along recent governance and CEO changes

- Claranova confirmed its outlook for this year, expecting an adj. EBITDA margin at "around" 10%. We still believe this target is too ambitious with low visibility on PlanetArt's growth recovery, a more difficult comparison basis in H2 on a structurally lower semester, and a potential delay in selling Avanquest's remaining non-core business in the US before the end of FY 2023/24.
- On our side, we remain below management's target of 10% adj. EBITDA margin this year and consensus (8.6%) at 8%.
- We keep our Hold rating and TP of EUR2.50 on PlanetArt awaiting inflexion point, while we do not expect any asset monetisation through the disposal/spin-off of either PlanetArt or Avanquest to materialise soon, especially in a context of the recent appointment of Erice Gareau as new CEO.

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- We appreciate the recent steps taken by the company to improve its governance and balance sheet, but still wait for concrete initiatives to propel Claranova's turnaround and secure sustainable profitability.

**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**

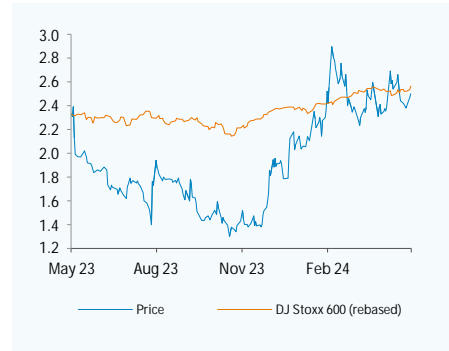
- (+) Guidance reached in FY 2023/24, gradually restoring investor confidence.
- (-) Macroeconomic risks (decrease in consumer purchasing power, high input costs, high beta stock).
- (-) Failure to compensate for a large part of Apple's stricter confidentiality policy, meaning slower volume and potentially 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: 07 May 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	12.9	8.3	5.9
P/E adjusted and fully diluted	na	na	na	68.1	19.1	na	na	14.0	9.0	6.4
P/BV	na	na	5.9	5.3	3.9	na	na	32.1	8.4	3.9
P/CF	na	na	43.6	9.1	14.0	13.6	12.6	6.6	5.3	4.2
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%	40.0%	80.0%
FCF yield (%)	-0.1%	0.2%	1.5%	10.5%	5.7%	5.9%	-1.4%	8.0%	13.1%	17.2%
EV/Sales	6.9	16.7	1.1	0.7	0.6	0.7	0.5	0.5	0.4	0.3
EV/EBITDA adj.	na	na	18.6	15.8	7.7	12.7	7.5	5.8	4.7	3.5
EV/EBIT adj.	na	na	20.8	20.6	9.0	17.3	10.0	7.2	5.7	4.1

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Hold	32%	29%
Reduce	9%	7%
Not Rated/Under Review/Accept Offer	3%	4%
Total	100%	100%

Source: Kepler Cheuvreux

A: % of all research recommendations

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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

Credit research does not issue target prices. Left intentionally blank.

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