



# Claranova Hold

France | IT services & software

**MCap: EUR98.9m**

**Target Price:** EUR2.50  
**Current Price:** EUR1.73  
**Up/downside:** 44.7%  
**Market data:** 01 August 2024

Bloomberg: CLA FP  
 Free float 71%  
 Avg. daily volume (EURm) 0.2  
 YTD abs performance -18.7%  
 52-week high/low (EUR) 2.91/1.30  
 Reuters: AVQ.PA

## Lower FY sales, profitability target reiterated

### Key points:

- Yesterday evening, Claranova released its FY sales that were 11% below consensus in Q4 (2% below over FY).
- Under its new management, the company says it has refocused its efforts on most profitable business at the expense of lower margin products. As a consequence, despite the miss on sales it has reiterated its “around 10% EBITDA margin target. This would imply c. EUR50m versus EUR45 expected by consensus and EUR42m for KECH.
- Claranova’s share price has fallen by 30% since its Q3 sales publication after its participation in two small caps conferences in early June in France. With only 5% of its sales in France, this fall cannot be linked to the French political situation but can be connected, on top of doubts about the profitability target, to the open conflict with its former CEO, Cesarini, who is suing the company and asking for EUR15m in compensation.
- We appreciate the recent steps taken by the company to improve its governance and balance sheet (net debt reduced to EUR102m at end-June vs. KECH EUR98m), but still wait to see the impact of the sales focus on profitability. Hold maintained.

**Table 1: Q4 and FY sales details**

| EURm                | Q4 2023/24 | Q4 2022/23A | % YOY | % ccy | % constant perimeter | % LFL | KECH  | vs. KECH | Consensus | vs. Cons. |
|---------------------|------------|-------------|-------|-------|----------------------|-------|-------|----------|-----------|-----------|
| PlanetArt           | 69         | 68          | 1%    | -2%   | 1%                   | -2%   | 90.8  | -24%     |           |           |
| Avanquest           | 30         | 30          | -2%   | -1%   | 5%                   | 5%    | 33.4  | -10%     |           |           |
| myDevices           | 2          | 3           | -56%  | -57%  | -56%                 | -57%  | 3.4   | -41%     |           |           |
| Total Group revenue | 100        | 102         | -2%   | -3%   | 1%                   | -1%   | 127.7 | -22%     | 112       | -11%      |
|                     | FY 2023/24 | FY 2022/23A | % YOY | % ccy | % constant perimeter | % LFL | KECH  | vs. KECH | Consensus | vs. Cons. |
| PlanetArt           | 365        | 383         | -5%   | -3%   | -5%                  | -3%   | 386.8 | -6%      |           |           |
| Avanquest           | 122        | 116         | 5%    | 9%    | 10%                  | 14%   | 126.4 | -3%      |           |           |
| myDevices           | 9          | 8           | 5%    | 8%    | 5%                   | 8%    | 10.4  | -13%     |           |           |
| Total Group revenue | 496        | 507         | -2%   | 0%    | -1%                  | 1%    | 523.7 | -5%      | 508       | -2%       |

Source: Company

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**Appendix 1: Research framework**

Last model update: 01 August 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**

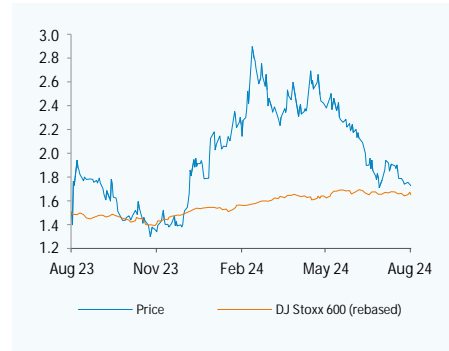
- (+) Guidance reached in FY 2023/24, gradually restoring investor confidence.
- (-) Macroeconomic risks (decrease in consumer purchasing power, high input costs, high beta stock).
- (-) Failure to compensate for a large part of Apple's stricter confidentiality policy, meaning slower volume and potentially 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>      | Eric Gareau, 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: 01 August 2024

Market data date: 01 August 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    | 8.9    | 5.8    | 4.1    |
| P/E adjusted and fully diluted           | na        | na      | na     | 68.1   | 19.1   | na     | na    | 9.7    | 6.2    | 4.4    |
| P/BV                                     | na        | na      | 5.9    | 5.3    | 3.9    | na     | na    | 22.2   | 5.8    | 2.7    |
| P/CF                                     | na        | na      | 43.6   | 9.1    | 14.0   | 13.6   | 12.6  | 4.6    | 3.6    | 2.9    |
| 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%   | 57.9%  | 115.7% |
| FCF yield (%)                            | -0.1%     | 0.2%    | 1.5%   | 10.5%  | 5.7%   | 5.9%   | -1.4% | 11.5%  | 19.0%  | 25.0%  |
| EV/Sales                                 | 6.9       | 16.7    | 1.1    | 0.7    | 0.6    | 0.7    | 0.5   | 0.4    | 0.3    | 0.3    |
| EV/EBITDA adj.                           | na        | na      | 18.6   | 15.8   | 7.7    | 12.7   | 7.5   | 4.7    | 3.7    | 2.7    |
| EV/EBIT adj.                             | na        | na      | 20.8   | 20.6   | 9.0    | 17.3   | 10.0  | 5.9    | 4.6    | 3.2    |

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|-------------------------------------|------|------|
| Buy                                 | 55%  | 61%  |
| Hold                                | 33%  | 29%  |
| Reduce                              | 9%   | 4%   |
| Not Rated/Under Review/Accept Offer | 3%   | 6%   |
| Total                               | 100% | 100% |

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|-----------------|------------------|-----------------|--------|--------------|---------------|
| Claranova (EUR) | 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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