

Claranova

Q424 revenue update

Building the foundations for profitable growth

Software and comp services

In FY24, Claranova had a relatively stable year from a revenue perspective but expects to report a significant increase in profitability due to its focus on optimising customer acquisition spend and reducing controllable costs. With management continuing to expect an adjusted EBITDA margin of c 10% for FY24, we have raised our adjusted EBITDA forecasts by 2.2% in FY24 and 0.4% in FY25. The company expects to report the outcome of its ongoing strategic review when it reports FY24 results on 30 October.

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	13.7
06/23	507.0	32.5	2.2	0.05	0	32.0
06/24e	495.5	44.3	18.3	0.23	0	6.5
06/25e	523.5	49.7	29.9	0.39	0	3.8

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

FY24 revenue essentially flat

Claranova reported FY24 revenue of €496m, down 2% on a reported basis and up 1% on a constant currency organic (like-for-like) basis. The PlanetArt business saw a 3% l-f-l decline as it continued to focus on profitability. Avanquest grew 14% l-f-l with a mixed performance by product area. myDevices grew 8% l-f-l, with a slowdown in Q424 revenue as some project roll-outs were delayed. Claranova finished the year with a net debt position of €102m, 3% below our forecast.

Margin target maintained

Management continues to target an adjusted EBITDA margin of approximately 10% in FY24. We have revised our forecasts to reflect lower revenue in FY24 and FY25 while increasing our adjusted EBITDA forecasts for both years. Our FY24 margin forecast is now 9.0%, rising to 9.5% in FY25. Both Avanquest and myDevices reported weaker-than-expected revenue performance in Q424 after previous quarters of strong growth; we have assumed that the issues experienced in Q424 were temporary and we forecast a recovery in revenue from Q125 for both.

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 €5.4 (down from €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.

6 August 2024

Price €1.47

Market cap €83m

\$1.08/€

Net debt (€m) at end FY24 102

Shares in issue 56.7m

Free float 84%

Code CLA

Primary exchange Euronext Paris

Secondary exchange N/A

Share price performance



% 1m 3m 12m

Abs (24.0) (38.7) (14.9)

Rel (local) (18.6) (31.8) (12.4)

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

FY24 results 30 October

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Q424 revenue update

Claranova reported Q424/FY24 revenue as per Exhibit 1. On a group basis, the company reported a 2% decline in revenue for Q424 and the year. On a constant currency organic basis, it reported a 1% decline for Q424 but a 1% increase for the full year.

Exhibit 1: Q424 and FY24 divisional revenue						
Revenues (€m)	Q424	Q423	y-o-y		y-o-y	
			Reported	Constant currency	Organic	Constant currency organic
PlanetArt	69	68	1%	(2%)	1%	(2%)
Avanquest	30	30	(2%)	(1%)	5%	5%
myDevices	2	3	(56%)	(57%)	(56%)	(57%)
Total	100	102	(2%)	(3%)	1%	(1%)
	FY24	FY23	y-o-y		y-o-y	
			Reported	Constant currency	Organic	Constant currency organic
PlanetArt	365	383	(5%)	(3%)	(5%)	(3%)
Avanquest	122	116	5%	9%	10%	14%
myDevices	9	8	5%	8%	5%	8%
Total	496	507	(2%)	0%	(1%)	1%

Source: Claranova

PlanetArt: Stabilising revenue, improving profitability

PlanetArt revenue grew 1% y-o-y on a reported basis in Q424 and was 2% lower on a constant currency (cc) basis. For FY24, the division reported a 5% decline (3% cc decline). The trend of optimising customer acquisition costs and reducing the operating cost base continued through the quarter and the business focused on driving higher-margin product sales by optimising the Gifts.com platform.

Avanquest: Reducing non-core supports margin growth

Avanquest reported Q424 revenue decline of 2% y-o-y; on an organic constant currency basis the division grew 5%. For FY24, the division grew 5% y-o-y (9% cc) and on an organic constant currency basis grew 14%. The division sold its European non-core business in October 2023; the remaining non-core business generated revenue of €11m in FY24, down 41% y-o-y and now making up only 9% of divisional revenue. There was a mixed performance by product: Utilities (previously referred to as Security) grew 33% cc, PDF grew 3% cc whereas Photo declined 7% cc. Management noted that it frequently targets marketing at different audiences – for the Photo business it recently shifted its customer acquisition spend to the small business market resulting in a short-term decline in revenue.

myDevices: Q4 slowdown

Q424 revenue declined 56% y-o-y to €2m as the pace of roll-outs slowed due to the delays in certain partners' projects. FY24 revenue increased 5% y-o-y (8% cc). The business had nearly 220 channel partners by the end of FY24 and annual recurring revenue was down 3% y-o-y (flat cc) at €3.4m.

Management changes; strategic review ongoing

In July, the company announced further changes to the management team. Xavier Rojo, who joined the company in May 2022 as deputy CEO, was appointed to the CFO role. Isabelle Frenette was appointed executive vice-president, talent and culture for the group, having undertaken a similar role for Avanquest since 2022. Beth Burkhart joined as adviser, strategy and innovation, which is a newly created position. The purpose of her role is to sharpen the group's strategic focus and

promote innovation to drive profitability. We note that she previously worked at Shutterfly/Snapfish, a key competitor of PlanetArt.

Management confirmed that the strategic review is ongoing and expects to report the outcome at FY24 results on 30 October.

The company noted that it had not yet concluded a financial agreement with the previous CEO, Pierre Cesarini. He has filed two lawsuits against the company, one in France and one in Luxembourg, for a total of €15m in damages. The company deemed that the eligibility requirements for Mr Cesarini to exercise his option to invest in the individual subsidiaries were not met by the date of his departure and therefore the company has the right to repurchase the preferred shares giving rise to the options at a price of €1 per instrument.

Outlook and changes to forecasts

Claranova continues to expect an adjusted EBITDA margin of approximately 10% for FY24. We have revised our forecasts to reflect Q424 revenues and end-FY24 net debt, which was slightly lower than we had forecast. We have slightly increased our adjusted EBITDA forecasts, resulting in an EBITDA margin of 9.0% for FY24 and 9.5% for FY25.

Exhibit 2: Changes to forecasts

€'m	FY24e				FY25e			
	Old	New	Change	y-o-y	Old	New	Change	y-o-y
Revenues	502.3	495.5	(1.4%)	(2.3%)	535.6	523.5	(2.3%)	5.7%
EBITDA	48.7	49.6	2.0%	36.7%	54.9	55.0	0.2%	10.7%
EBITDA margin	9.7%	10.0%	0.3%	2.9%	10.2%	10.5%	0.3%	0.5%
EBITDA – pre IFRS 16	43.4	44.3	2.2%	36.4%	49.5	49.7	0.4%	12.1%
EBITDA margin – pre IFRS 16	8.6%	9.0%	0.3%	2.5%	9.2%	9.5%	0.3%	0.5%
Normalised operating profit	42.0	42.9	2.3%	41.7%	47.8	47.9	0.2%	11.5%
<i>Normalised operating margin</i>	8.4%	8.7%	0.3%	2.7%	8.9%	9.1%	0.2%	0.5%
Reported operating profit	34.2	35.2	2.8%	82.3%	42.0	42.1	0.2%	19.5%
<i>Reported operating margin</i>	6.8%	7.1%	0.3%	3.3%	7.8%	8.0%	0.2%	0.9%
Normalised PBT	17.3	18.3	5.6%	728.4%	29.8	29.9	0.3%	63.7%
Reported PBT	2.4	3.4	39.8%	(138.9%)	24.0	24.1	0.3%	604.6%
Normalised net income	12.7	13.7	8.1%	499.7%	22.0	22.3	1.7%	62.8%
Reported net income	(3.0)	(2.0)	(34.3%)	(81.4%)	17.5	17.9	2.1%	N/A
Normalised basic EPS (€)	0.23	0.24	8.1%	387.3%	0.39	0.39	1.7%	61.0%
Normalised diluted EPS (€)	0.21	0.23	8.1%	395.2%	0.38	0.39	1.7%	71.9%
Reported basic EPS (€)	(0.05)	(0.04)	(34.3%)	(84.9%)	0.31	0.32	2.1%	(997.6%)
Net debt/(cash)	105.7	102.4	(3.2%)	(8.6%)	80.7	78.3	(3.0%)	(23.5%)
Net debt/EBITDA (x)	2.4	2.3			1.6	1.6		
Divisional revenues								
PlanetArt	367.6	364.9	(0.7%)	(4.6%)	391.2	387.5	(0.9%)	6.2%
Avanquest	124.2	122.0	(1.7%)	4.9%	132.7	125.8	(5.2%)	3.1%
myDevices	10.5	8.6	(18.2%)	4.8%	11.8	10.3	(12.7%)	20.0%
Total	502.3	495.5	(1.4%)	(2.3%)	535.6	523.5	(2.3%)	5.7%
Divisional EBITDA								
PlanetArt	19.9	22.0	10.5%	45.9%	21.6	22.8	5.6%	3.5%
Avanquest	22.9	22.9	0.0%	32.4%	25.8	25.9	0.4%	13.1%
myDevices	0.6	(0.6)	(204.2%)	(692.0%)	2.1	1.0	(52.4%)	(268.9%)
Total EBITDA – pre IFRS 16	43.4	44.3	2.2%	36.4%	49.5	49.7	0.4%	12.1%
Divisional EBITDA margin								
PlanetArt	5.4%	6.0%	0.6%	2.1%	5.5%	5.9%	0.4%	(0.2%)
Avanquest	18.4%	18.8%	0.3%	3.9%	19.4%	20.6%	1.1%	1.8%
myDevices	5.4%	(6.9%)	(12.3%)	(8.1%)	17.8%	9.7%	(8.1%)	16.6%
Total EBITDA margin – pre IFRS 16	8.6%	9.0%	0.3%	2.5%	9.2%	9.5%	0.3%	0.5%

Source: Edison Investment Research

Exhibit 3: Financial summary

	€'m	2019	2020	2021	2022	2023	2024e	2025e
30-June		IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
INCOME STATEMENT								
Revenue		262.3	409.1	470.6	473.7	507.0	495.5	523.5
EBITDA		16.0	20.6	36.5	28.3	36.3	49.6	55.0
Company adjusted EBITDA		16.0	17.4	32.9	25.5	32.5	44.3	49.7
Normalised operating profit		15.5	15.8	31.0	23.7	30.3	42.9	47.9
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	35.2	42.1
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	18.3	29.9
Profit Before Tax (reported)		(37.7)	3.3	16.7	(4.2)	(8.8)	3.4	24.1
Reported tax		(3.7)	(2.1)	(3.5)	(5.7)	(2.0)	(5.1)	(5.5)
Profit After Tax (norm)		9.2	8.7	18.6	5.5	2.1	14.1	23.0
Profit After Tax (reported)		(41.4)	1.2	13.2	(10.0)	(10.8)	(1.6)	18.5
Minority interests		0.6	(0.7)	(3.7)	(0.5)	0.2	(0.3)	(0.7)
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	13.7	22.3
Net income (reported)		(40.8)	0.5	9.5	(10.5)	(10.6)	(2.0)	17.9
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	0.24	0.39
EPS - diluted normalised (€)		0.25	0.20	0.37	0.11	0.05	0.23	0.39
EPS - basic reported (€)		(1.04)	0.01	0.24	(0.25)	(0.23)	(0.04)	0.32
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	(2.3)	5.7
EBITDA Margin (%)		6.1	5.0	7.7	6.0	7.2	10.0	10.5
Company adjusted EBITDA margin (%)		6.1	4.3	7.0	5.4	6.4	9.0	9.5
Normalised Operating Margin		5.9	3.9	6.6	5.0	6.0	8.7	9.1
BALANCE SHEET								
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	80.3	100.2
Stocks		4.8	14.4	16.1	22.0	20.4	19.9	21.1
Debtors		11.6	9.9	9.2	8.3	9.8	9.6	10.1
Cash & cash equivalents		75.4	82.8	90.4	100.3	66.8	36.7	54.9
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)	(97.1)	(100.7)
Creditors		(54.8)	(64.3)	(63.8)	(78.1)	(74.1)	(70.4)	(74.0)
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)	(20.0)	(20.0)
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)	(138.7)	(132.8)
Long term borrowings		(49.1)	(62.8)	(57.4)	(148.9)	(85.0)	(119.1)	(113.2)
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)	(2.4)	15.1
Minority interests		(11.0)	(11.7)	(16.2)	(3.3)	(2.9)	2.5	3.4
Shareholders' equity		52.6	50.6	66.0	(1.4)	(19.3)	0.0	18.5
CASH FLOW								
Op Cash Flow before WC and tax		16.0	20.6	36.5	28.3	36.3	49.6	55.0
Working capital		(4.1)	22.5	(3.1)	3.2	(12.9)	(3.0)	1.9
Exceptional & other		(5.2)	(6.3)	(8.9)	(4.2)	(8.1)	(8.6)	0.0
Tax		(3.8)	(6.8)	(5.1)	(9.4)	(6.0)	(5.1)	(5.5)
Net operating cash flow		3.0	30.0	19.4	17.9	9.3	33.0	51.3
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)	(1.6)
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)	28.9	28.2
Opening net debt/(cash)		(37.5)	(23.6)	(13.9)	(25.3)	71.2	112.0	102.4
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)	(19.3)	(4.1)
Closing net debt/(cash)		(23.6)	(13.9)	(25.3)	71.2	112.0	102.4	78.3

Source: Claranova, Edison Investment Research

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