

Claranova

Demand held up in Q121

Claranova has reported another strong quarter of revenue growth in Q121, with reported revenue up 29% y-o-y and organic, constant currency revenue up 23% y-o-y. PlanetArt was the driver of growth, with good performance from the original photo-printing business and the acquired personalised gifts business. We have increased our revenue forecasts to reflect Q1 performance but due to the high level of uncertainty caused by COVID-19, we maintain our EBITDA forecasts for FY21 and FY22.

Year end	Revenue (€m)	EBITDA** (€m)	PBT* (€m)	Diluted EPS* (€)	DPS (€)	P/E (x)
06/19	262.3	16.0	12.0	0.25	0.0	24.2
06/20	409.1	17.4	11.3	0.20	0.0	29.8
06/21e	488.0	27.4	21.0	0.30	0.0	20.2
06/22e	557.0	36.8	30.4	0.44	0.0	13.5

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

PlanetArt drives organic growth

Group organic constant currency growth of 23% came mainly from PlanetArt (+32%, 77% of group revenue) with a small contribution from myDevices (+111%, 1% of group revenue), partially offset by a 2% decline for Avanquest (22% of group revenue). PlanetArt saw continued strong demand for photo printing and 50% like-for-like growth in the personalised gifts business. Avanquest has substantially completed the shift from upfront to subscription licensing for its proprietary software products, which has depressed revenue growth and profitability in recent quarters. From this point, growth should start to accelerate and margins improve.

Raising revenue forecasts; maintaining EBITDA

Reflecting the better-than-expected performance of PlanetArt and slightly lower-than-expected growth of Avanquest, we have increased our group revenue forecasts by 1.2% for FY21 and FY22. Taking into account COVID-19-related uncertainty in Claranova's seasonally strongest quarter (CYQ4), we cautiously maintain our EBITDA forecasts.

Valuation: Sum of the parts suggests upside

Reflecting the different business models and minority interests for each division, we continue to use a sum-of-the-parts approach to valuation. Based purely on peer-group averages per division, we calculate a fair value of €15.9 per share. However, once multiples are adjusted to reflect our views on the growth and profitability of each division, we calculate what we believe to be a more realistic valuation of €12.12 per share (unchanged since our [last note](#)). Factors that could provide upside to our estimates would be sustained high demand for photo printing, successful adoption of the FreePrints Gift app in the US and returning recent acquisitions to profitability.

Q121 revenue update

Software & comp services

5 November 2020

Price €5.97

Market cap €234m

\$1.17/€1

Net cash (€m) at end FY20 13.9

Shares in issue 39.2m

Free float 91%

Code CLA

Primary exchange Euronext Paris

Secondary exchange N/A

Share price performance



% 1m 3m 12m

Abs (5.5) 4.1 (34.3)

Rel (local) (7.2) 3.2 (22.5)

52-week high/low €9.27 €2.96

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). Its headquarters are in Paris, and it has operations in Europe, the US and Canada.

Next events

AGM 1 December

Q221 revenue update February 2021

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Quarterly revenue update

Claranova reported 29% y-o-y revenue growth in Q121. On an organic basis, group revenue grew 19% y-o-y; at constant currency this increased to 23%.

Exhibit 1: Quarterly revenue by division

Revenues (€m)	Q121	Q120	y-o-y		y-o-y Constant ccy, organic (%)
			Reported (%)	Organic (%)	
PlanetArt	69	48	43	29	32
Avanquest	20	21	(6)	(6)	(2)
myDevices	1	1	100	100	111
Total	90	70	29	19	23

Source: Claranova

On a divisional basis:

- **PlanetArt:** the division saw 32% growth on an organic, constant currency basis (Q120: 30%, Q420: 53%). The high levels of demand experienced in Q420 (which covered much of the lockdown periods in Europe and the US) continued into Q121. With further lockdowns being implemented across Europe, this could support elevated demand in Q221. Personal Creations contributed two months of revenue in Q120 and CafePress only contributed one month of revenue in Q121. The company noted the personalised gifts business grew 50% on a like-for-like basis, which implies that under Claranova's ownership the Personal Creations business is performing well.
- **Avanquest:** in Q121, revenue declined 6% y-o-y or 2% on a constant currency basis. The business has been shifting key software lines from upfront to subscription licensing, which has suppressed revenue growth over the last year. In the case of SodaPDF and InPixio this transition is complete, with 82% and 72% of revenue, respectively, from subscription licences, and double-digit revenue growth in Q121. Recurring revenue made up 54% of revenue in Q121 compared to 46% in Q420. The company noted that lower margin, non-strategic activities continued to decline, in particular, sales of third-party, physical software and sales through partner channels.
- **myDevices:** divisional revenues doubled year-on-year, representing mainly non-recurring revenue from commercial partners in the US. COVID-19 restrictions have made it difficult for customers in the hospitality sector to install internet-of-things devices but we believe that once restrictions are removed, demand should return.

Outlook and changes to forecasts

Management commented it remains fully focused on maintaining the current positive momentum, despite the recent renewed lockdowns in most countries of operation. CYQ4 is typically the strongest quarter for Claranova, particularly in the PlanetArt division, and it remains to be seen what impact the pandemic will have on demand and logistics (cost and speed of delivery). Despite these uncertainties, management expects to be able to maintain its track record of strong and profitable growth.

We have revised our FY21 and FY22 revenue forecasts to reflect the stronger Q1 performance by Planet Art and slightly lower revenues for Avanquest. Bearing in mind the uncertainties around Q221 trading, we maintain our EBITDA forecasts.

Exhibit 2: Changes to forecasts

€'m	FY21e				FY22e			
	Old	New	Change	y-o-y	Old	New	Change	y-o-y
Revenues	482.4	488.0	1.2%	19.3%	550.6	557.0	1.2%	14.1%
EBITDA	30.6	30.6	0.0%	48.5%	40.0	40.0	0.0%	30.7%
EBITDA margin	6.3%	6.3%	(0.1%)	1.2%	7.3%	7.2%	(0.1%)	0.9%
EBITDA - pre IFRS 16	27.4	27.4	0.0%	57.1%	36.8	36.8	0.0%	34.3%
EBITDA margin - pre IFRS 16	5.7%	5.6%	(0.1%)	1.4%	6.7%	6.6%	(0.1%)	1.0%
Normalised operating profit	25.7	25.7	0.0%	62.7%	35.1	35.1	0.0%	36.6%
Normalised operating profit margin	5.3%	5.3%	(0.1%)	1.4%	6.4%	6.3%	(0.1%)	1.0%
Reported operating profit	19.4	19.4	0.0%	148.7%	31.8	31.8	0.0%	63.9%
Reported operating margin	4.0%	4.0%	0.0%	2.1%	5.8%	5.7%	(0.1%)	1.7%
Normalised PBT	21.0	21.0	0.0%	85.5%	30.4	30.4	0.0%	44.8%
Reported PBT	14.7	14.7	0.0%	344.3%	27.1	27.1	0.0%	84.6%
Normalised net income	11.8	11.8	0.0%	47.4%	17.7	17.7	0.0%	50.2%
Reported net income	6.9	6.9	0.0%	1287.8%	15.2	15.2	0.0%	118.6%
Normalised basic EPS (€)	0.30	0.30	0.0%	47.4%	0.45	0.45	0.0%	50.2%
Normalised diluted EPS (€)	0.30	0.30	0.0%	47.4%	0.44	0.44	0.0%	50.2%
Reported basic EPS (€)	0.18	0.18	0.0%	1287.8%	0.39	0.39	0.0%	118.6%
Net debt/(cash)	(22.1)	(22.6)	2.3%	62.7%	(48.9)	(49.5)	1.1%	118.8%
Divisional revenues								
PlanetArt	377.2	386.4	2.5%	23.1%	432.6	442.9	2.4%	14.6%
Avanquest	99.7	96.0	(3.7%)	6.3%	111.7	107.8	(3.5%)	12.3%
myDevices	5.6	5.6	0.0%	16.7%	6.3	6.3	0.0%	12.5%
Total	482.4	488.0	1.2%	19.3%	550.6	557.0	1.2%	14.1%
Divisional EBITDA								
PlanetArt	19.5	19.5	0.0%	38.1%	27.0	27.0	0.0%	38.5%
Avanquest	11.3	11.3	(0.0%)	57.8%	13.0	13.0	0.0%	15.0%
myDevices	(3.4)	(3.4)	0.0%	(11.5%)	(3.2)	(3.2)	0.0%	(5.9%)
Total EBITDA - pre IFRS 16	27.4	27.4	0.0%	57.1%	36.8	36.8	0.0%	34.3%

Source: Edison Investment Research

Exhibit 3: Financial summary

	€'m	2015	2016	2017	2018	2019	2020	2021e	2022e
30-June		IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
INCOME STATEMENT									
Revenue		93.1	117.4	130.2	161.5	262.3	409.1	488.0	557.0
EBITDA		(6.8)	(9.2)	(5.0)	3.9	16.0	20.6	30.6	40.0
Normalised operating profit		(11.4)	(16.0)	(5.8)	3.4	15.5	15.8	25.7	35.1
Amortisation of acquired intangibles		0.0	0.0	0.0	0.0	(1.5)	(2.4)	(3.3)	(3.3)
Exceptionals		15.6	(10.0)	0.4	(2.4)	(2.9)	(5.6)	(3.0)	0.0
Share-based payments		(0.0)	(0.1)	(4.8)	(7.1)	0.3	0.0	0.0	0.0
Reported operating profit		4.2	(26.1)	(10.1)	(6.1)	11.4	7.8	19.4	31.8
Net Interest		1.1	(1.7)	(0.9)	(0.3)	(3.5)	(4.5)	(4.7)	(4.7)
Joint ventures & associates (post tax)		0.0	(0.0)	0.0	0.0	0.0	0.0	0.0	0.0
Exceptionals		0.0	0.0	0.0	0.0	(45.6)	0.0	0.0	0.0
Profit Before Tax (norm)		(10.3)	(17.7)	(6.6)	3.1	12.0	11.3	21.0	30.4
Profit Before Tax (reported)		5.3	(27.8)	(11.0)	(6.4)	(37.7)	3.3	14.7	27.1
Reported tax		(0.6)	(0.8)	(0.4)	(1.8)	(3.7)	(2.1)	(3.4)	(6.2)
Profit After Tax (norm)		(10.9)	(18.5)	(7.0)	2.4	9.2	8.7	16.1	23.4
Profit After Tax (reported)		4.7	(28.6)	(11.4)	(8.2)	(41.4)	1.2	11.3	20.8
Minority interests		(8.1)	0.0	0.3	0.2	0.6	(0.7)	(4.4)	(5.7)
Discontinued operations		(3.2)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net income (normalised)		(18.9)	(18.5)	(6.7)	2.6	9.8	8.0	11.8	17.7
Net income (reported)		(6.5)	(28.6)	(11.0)	(7.9)	(40.8)	0.5	6.9	15.2
Basic ave. number of shares outstanding (m)		6	38	38	39	39	39	39	39
EPS - basic normalised (€)		(3.27)	(0.49)	(0.18)	0.07	0.25	0.20	0.30	0.45
EPS - diluted normalised (€)		(3.27)	(0.49)	(0.18)	0.06	0.25	0.20	0.30	0.44
EPS - basic reported (€)		(1.13)	(0.76)	(0.29)	(0.20)	(1.04)	0.01	0.18	0.39
Dividend (€)		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Revenue growth (%)		-	26.1	10.9	24.0	62.4	56.0	19.3	14.1
EBITDA Margin (%)		-7.3	-7.9	-3.8	2.4	6.1	5.0	6.3	7.2
Normalised Operating Margin		-12.3	-13.7	-4.4	2.1	5.9	3.9	5.3	6.3
BALANCE SHEET									
Fixed Assets		15.7	3.0	2.0	1.3	75.1	93.7	96.7	92.7
Intangible Assets		12.0	1.5	0.9	0.5	69.9	70.5	74.1	70.7
Tangible Assets		0.6	0.5	0.3	0.2	1.4	15.7	15.1	14.5
Investments & other		3.1	1.1	0.7	0.6	3.8	7.5	7.5	7.5
Current Assets		48.0	25.5	28.1	79.1	100.9	116.3	129.7	160.7
Stocks		5.9	5.0	3.7	3.7	4.8	14.4	17.2	19.6
Debtors		4.8	4.7	4.3	4.9	11.6	9.9	11.8	13.5
Cash & cash equivalents		30.5	11.1	17.1	65.7	75.4	82.8	91.5	118.4
Other		6.9	4.7	2.9	4.8	9.1	9.2	9.2	9.2
Current Liabilities		(32.0)	(25.3)	(28.1)	(37.2)	(60.5)	(74.6)	(79.7)	(85.8)
Creditors		(26.9)	(24.5)	(26.6)	(35.4)	(54.8)	(64.3)	(69.4)	(75.5)
Tax and social security		(0.3)	(0.0)	(0.3)	(1.7)	(3.0)	(1.2)	(1.2)	(1.2)
Short term borrowings		(4.8)	(0.7)	(1.1)	(0.1)	(2.7)	(6.1)	(6.1)	(6.1)
Other		0.0	0.0	0.0	0.0	0.0	(3.0)	(3.0)	(3.0)
Long Term Liabilities		(2.4)	(1.1)	(0.7)	(29.0)	(52.0)	(73.1)	(73.1)	(73.1)
Long term borrowings		(1.8)	(0.6)	0.0	(28.1)	(49.1)	(62.8)	(62.8)	(62.8)
Other long term liabilities		(0.7)	(0.5)	(0.7)	(0.9)	(2.9)	(10.3)	(10.3)	(10.3)
Net Assets		29.3	2.1	1.3	14.2	63.6	62.3	73.6	94.4
Minority interests		0.0	0.0	(0.1)	(1.8)	(11.0)	(11.7)	(16.1)	(21.7)
Shareholders' equity		29.3	2.1	1.2	12.5	52.6	50.6	57.5	72.7
CASH FLOW									
Op Cash Flow before WC and tax		(6.8)	(9.2)	(5.0)	3.9	16.0	20.6	30.6	40.0
Working capital		0.4	2.5	6.8	7.9	(4.1)	22.5	0.4	2.0
Exceptional & other		(3.8)	(4.3)	(2.2)	(5.7)	(5.2)	(6.3)	(3.0)	0.0
Tax		0.3	(0.3)	(0.0)	(1.2)	(3.8)	(6.8)	(3.4)	(6.2)
Net operating cash flow		(9.8)	(11.3)	(0.4)	5.0	3.0	30.0	24.6	35.8
Capex		(4.4)	(0.9)	(0.2)	(0.1)	(2.5)	(1.2)	(1.0)	(1.0)
Acquisitions/disposals		10.8	(0.4)	3.6	14.2	(13.3)	(31.9)	(7.0)	0.0
Net interest		(0.9)	(0.1)	(0.0)	(0.3)	0.0	(0.5)	(4.7)	(4.7)
Equity financing		33.2	(5.1)	1.9	2.0	(1.4)	0.0	0.0	0.0
Dividends		0.0	2.0	0.0	0.0	0.0	0.0	0.0	0.0
Other		0.1	0.1	0.1	(0.6)	0.0	0.4	(3.2)	(3.2)
Net Cash Flow		29.0	(15.7)	5.0	20.1	(14.2)	(3.2)	8.7	26.9
Opening net debt/(cash)		18.0	(23.9)	(9.8)	(16.0)	(37.5)	(23.6)	(13.9)	(22.6)
FX		0.1	(0.1)	(0.6)	0.4	0.3	(0.8)	0.0	0.0
Other non-cash movements		12.6	1.7	1.8	1.1	0.0	(5.7)	0.0	0.0
Closing net debt/(cash)		(23.9)	(9.8)	(16.0)	(37.5)	(23.6)	(13.9)	(22.6)	(49.5)

Source: Claranova, Edison Investment Research

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