

# Claranova

Q2 revenue update

## Organic growth across the board

Claranova reported 53% year-on-year revenue growth for Q219, with organic growth of 36%. All divisions contributed to organic growth, and the Canadian businesses acquired by Avanquest also performed well. While H119 revenue growth rates are ahead of our FY19 growth forecasts, we are maintaining estimates until further detail on profitability is disclosed on 27 March. We believe that the risk to earnings is on the upside.

Year end	Revenue (€m)	EBITDA (€m)	PBT* (€m)	EPS* (€)	DPS (€)	P/E (x)
06/17	130.2	(5.0)	(6.6)	(0.02)	0.0	N/A
06/18	161.5	3.9	3.1	0.01	0.0	120.5
06/19e	234.6	16.9	13.6	0.02	0.0	39.0
06/20e	274.8	28.5	25.3	0.04	0.0	20.5

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

## Strong Q2 across all businesses

Reported revenue growth for Q219 was strong across the board: PlanetArt +40% year-on-year, Avanquest +106% and myDevices +81%. Stripping out acquisitions, Avanquest saw 16% organic growth, significantly better than the 3% last quarter and declines in FY18. The acquired businesses saw 23% underlying growth for H119, with Adaware showing particular strength (+42% y-o-y).

## PlanetArt developments support future growth

In January, the company announced that it had launched FreePrints in the Netherlands, expanding its reach in Europe. Since FreePrints was launched in India in September last year, the app has been downloaded more than 0.5m times despite limited marketing expenditure. While initial basket sizes are likely to be small (as only photo prints are available, customers are new to the service, and disposable income is lower than in Europe/North America), the level of demand bodes well for future revenue contributions.

## Valuation: Positive growth outlook supports upside

Reflecting the different business models and minority interests for each division, we use a sum-of-the-parts approach to valuation. Based purely on peer group averages per division, we calculate a fair value of €0.86 per share. However, once multiples are adjusted to reflect our views on the growth and profitability of each division, this increases to €1.11 per share. Milestones that could provide upside to our forecasts include: successful adoption of FreePrints in India; growth of the acquired Adaware business; and distributors reselling the myDevices platform in the US and China.

## Software & comp services

8 February 2019

Price **€0.76**

Market cap **€297m**

\$1.13:€1

Net cash (€m) at end FY18 37.5

Shares in issue 391.2m

Free float 91%

Code CLA

Primary exchange Euronext Paris

Secondary exchange N/A

## Share price performance



% 1m 3m 12m

Abs 10.0 (18.0) (30.4)

Rel (local) 4.2 (14.8) (26.0)

52-week high/low €1.1 €0.5

## Business description

Claranova consists of three businesses focused on mobile and internet technologies: PlanetArt (digital photo printing), Avanquest (consumer software) and myDevices (Internet of Things). It is headquartered in Paris with operations in Europe, the US and Canada.

## Next events

H119 results 27 March 2019

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## Q2 revenue update

Exhibit 1: Quarterly and half-yearly revenues					
Revenues (€m)	Q219	Q218	y-o-y		y-o-y Organic
			Reported	Constant currency	
PlanetArt	67.4	48.2	40%	37%	40%
Avanquest	23.2	11.3	106%	107%	16%
myDevices	0.9	0.5	81%	76%	81%
<b>Total</b>	<b>91.5</b>	<b>59.9</b>	<b>53%</b>	<b>51%</b>	<b>36%</b>
	H119	H118	y-o-y		y-o-y Organic
			Reported	Constant currency	
PlanetArt	97.8	69.2	41%	39%	41%
Avanquest	40.1	19.7	103%	103%	11%
myDevices	1.7	1.0	77%	73%	77%
<b>Total</b>	<b>139.6</b>	<b>89.9</b>	<b>55%</b>	<b>54%</b>	<b>35%</b>

Source: Claranova

Claranova has reported strong Q2 revenue growth, with reported growth of 53% y-o-y and 36% growth on an organic basis. On a half-year basis, it reported growth of 55% and organic growth of 35%.

- **PlanetArt:** constant currency growth of 37% in Q2 was slightly down from the 44% achieved in Q1, resulting in H1 constant currency growth of 39% y-o-y. The company highlighted strength in Europe as well as good demand for FreePrints Photo Tiles, which were not available a year ago. In January, the company launched FreePrints in the Netherlands, expanding PlanetArt's presence in Europe and providing an additional driver of growth for the business. The company noted that it has seen a strong level of downloads of its app in India, although as we have previously written, we not expect this to materially affect revenues in the current year.
- **Avanquest:** strong constant currency growth of 107% in Q2 increased from the 99% achieved in Q1. Encouragingly, the original Avanquest business saw 16% organic growth in the quarter, up from 3% in Q1. The acquired Canadian businesses generated organic growth of 23% in H119, with Adaware generating organic growth of 42%.
- **myDevices:** the business saw strong revenue growth, albeit off of a low level last year. Sprint contributed revenues of c \$1m/€0.9m in H119.

While the revenue update confirms that reported revenue growth for H119 is running ahead of our growth forecasts for PlanetArt and Avanquest for FY19 (we estimate 32.5% and 91.7% respectively), we maintain our forecasts pending further detail on costs and profitability when H119 results are reported on 27 March.

**Exhibit 2: Financial summary**

	€m	2015	2016	2017	2018	2019e	2020e
30-June		IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
<b>INCOME STATEMENT</b>							
Revenue		93.1	117.4	130.2	161.5	234.6	274.8
EBITDA		(6.8)	(9.2)	(5.0)	3.9	16.9	28.5
Normalised operating profit		(11.4)	(16.0)	(5.8)	3.4	16.4	28.1
Amortisation of acquired intangibles		0.0	0.0	0.0	0.0	0.0	0.0
Exceptionals		15.6	(10.0)	0.4	(2.4)	0.0	0.0
Share-based payments		(0.0)	(0.1)	(4.8)	(7.1)	(5.4)	(2.0)
Reported operating profit		4.2	(26.1)	(10.1)	(6.1)	11.0	26.1
Net Interest		1.1	(1.7)	(0.9)	(0.3)	(2.8)	(2.8)
Joint ventures & associates (post tax)		0.0	(0.0)	0.0	0.0	0.0	0.0
Exceptionals		0.0	0.0	0.0	0.0	0.0	0.0
Profit Before Tax (norm)		(10.3)	(17.7)	(6.6)	3.1	13.6	25.3
Profit Before Tax (reported)		5.3	(27.8)	(11.0)	(6.4)	8.2	23.3
Reported tax		(0.6)	(0.8)	(0.4)	(1.8)	(1.9)	(5.4)
Profit After Tax (norm)		(10.9)	(18.5)	(7.0)	2.4	10.5	19.5
Profit After Tax (reported)		4.7	(28.6)	(11.4)	(8.2)	6.3	17.9
Minority interests		(8.1)	0.0	0.3	0.2	(2.4)	(4.1)
Discontinued operations		(3.2)	0.0	0.0	0.0	0.0	0.0
Net income (normalised)		(18.9)	(18.5)	(6.7)	2.6	8.1	15.4
Net income (reported)		(6.5)	(28.6)	(11.0)	(7.9)	3.9	13.8
Basic average number of shares outstanding (m)		58	375	375	394	391	391
EPS - basic normalised (€)		(0.33)	(0.05)	(0.02)	0.01	0.02	0.04
EPS - diluted normalised (€)		(0.33)	(0.05)	(0.02)	0.01	0.02	0.04
EPS - basic reported (€)		(0.11)	(0.08)	(0.03)	(0.02)	0.01	0.04
Dividend (€)		0.00	0.00	0.00	0.00	0.00	0.00
Revenue growth (%)		N/A	26.1	10.9	24.0	45.3	17.1
EBITDA Margin (%)		-7.3	-7.9	-3.8	2.4	7.2	10.4
Normalised Operating Margin		-12.3	-13.7	-4.4	2.1	7.0	10.2
<b>BALANCE SHEET</b>							
Fixed Assets		15.7	3.0	2.0	1.3	27.8	27.6
Intangible Assets		12.0	1.5	0.9	0.5	27.1	26.9
Tangible Assets		0.6	0.5	0.3	0.2	0.1	0.1
Investments & other		3.1	1.1	0.7	0.6	0.6	0.6
Current Assets		48.0	25.5	28.1	79.1	85.8	111.5
Stocks		5.9	5.0	3.7	3.7	6.4	7.5
Debtors		4.8	4.7	4.3	4.9	7.7	9.0
Cash & cash equivalents		30.5	11.1	17.1	65.7	66.9	90.1
Other		6.9	4.7	2.9	4.8	4.8	4.8
Current Liabilities		(32.0)	(25.3)	(28.1)	(37.2)	(43.6)	(49.0)
Creditors		(26.9)	(24.5)	(26.6)	(35.4)	(41.8)	(47.2)
Tax and social security		(0.3)	(0.0)	(0.3)	(1.7)	(1.7)	(1.7)
Short term borrowings		(4.8)	(0.7)	(1.1)	(0.1)	(0.1)	(0.1)
Other		0.0	0.0	0.0	0.0	0.0	0.0
Long Term Liabilities		(2.4)	(1.1)	(0.7)	(29.0)	(46.0)	(46.0)
Long term borrowings		(1.8)	(0.6)	0.0	(28.1)	(45.1)	(45.1)
Other long term liabilities		(0.7)	(0.5)	(0.7)	(0.9)	(0.9)	(0.9)
Net Assets		29.3	2.1	1.3	14.2	24.1	44.0
Minority interests		0.0	0.0	(0.1)	(1.8)	(4.2)	(8.2)
Shareholders' equity		29.3	2.1	1.2	12.5	19.9	35.8
<b>CASH FLOW</b>							
Op Cash Flow before WC and tax		(6.8)	(9.2)	(5.0)	3.9	16.9	28.5
Working capital		0.4	2.5	6.8	7.9	0.8	3.1
Exceptional & other		(3.8)	(4.3)	(2.2)	(5.2)	0.0	0.0
Tax		0.3	(0.3)	(0.0)	(1.2)	(1.9)	(5.4)
Net operating cash flow		(9.8)	(11.3)	(0.4)	5.5	15.8	26.2
Capex		(4.4)	(0.9)	(0.2)	(0.1)	(0.2)	(0.2)
Acquisitions/disposals		10.8	(0.4)	3.6	14.2	(9.9)	0.0
Net interest		(0.9)	(0.1)	(0.0)	(0.3)	(2.8)	(2.8)
Equity financing		33.2	(5.1)	1.9	2.0	(1.8)	0.0
Dividends		0.0	2.0	0.0	0.0	0.0	0.0
Other		0.1	0.1	0.1	(1.1)	0.0	0.0
Net Cash Flow		29.0	(15.7)	5.0	20.1	1.153	23.3
Opening net debt/(cash)		18.0	(23.9)	(9.8)	(16.0)	(37.5)	(21.7)
FX		0.1	(0.1)	(0.6)	0.4	0.0	0.0
Other non-cash movements		12.6	1.7	1.8	1.1	(17.0)	0.0
Closing net debt/(cash)		(23.9)	(9.8)	(16.0)	(37.5)	(21.7)	(44.9)

Source: Claranova, Edison Investment Research

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