

Cliq Digital

Muted H1, marketing spend to drive H2 uptick

Due to product launch delays at the end of FY17, Cliq Digital (CLIQ) saw H1 revenues and operating profits fall by 12% and 38% y-o-y. However, net income benefited from a non-recurring credit of €0.8m due to reductions in estimated contingent consideration. Nevertheless, we are encouraged by the growing marketing expenditure, which should drive improved performance in H2. The shares trade at a substantial discount to peers.

H118 results: Flat income supported by one-off items

CLIQ reported muted interim numbers. Revenues declined 12.5% on the back of delayed product launches due to contract slippage and longer than anticipated integration times in Q417, which hampered investment into customer acquisition over this period. Despite lower amortisation of capitalised marketing spend, EBIT fell 38% y-o-y to €1.5m. However, net income of €1.4m was broadly unchanged due to €0.8m in one-off gains due to changes in estimates of the fair value of contingent liabilities. We estimate that net income declined 12% on an organic basis.

Marketing expenditure returns to growth

On a positive note, the company returned to growth in marketing spend (+10% year-on-year). This is a crucial indicator of the health of the business, suggesting that management sees attractive investment opportunities. After a period of consolidating expenditure in 2017, we are encouraged to see this KPI trend back in the right direction. As a result of this spend, the 'CLIQ factor' (a measure of return of marketing spend per €) came down from the historic highs seen last year (1.48) closer to CLIQ's long-term average of 1.39. On an operational level, we note that completion of the acquisitions of CMind (67% to 80% share) and AffiMobiz in the first half should help drive increasing efficiency of marketing expenditure, potentially underpinning future improvements in the CLIQ factor.

Valuation: Discount to peers

At 0.5x FY18e consensus sales and 7.3x FY18e earnings, CLIQ trades at a substantial discount to the wider peer group of user acquisition groups. Investors are likely cautious about the slowdown in H1 performance and required ramp in H2 to meet both consensus estimates and management guidance for the full year. Delivery on these measures could see the discount to peers narrowing.

Consensus estimates

Year end	Revenue (€m)	PBT (€m)	EPS (€)	DPS (€)	P/E (x)	Yield (%)
12/16	65.3	3.6	0.43	0.0	8.1	N/A
12/17	70.5	4.5	0.55	0.0	6.4	N/A
12/18e	65.0	4.4	0.48	0.0	7.3	N/A
12/19e	71.5	4.5	0.49	0.0	7.1	N/A

Source: Bloomberg, Edison Investment Research

Media

Price €3.50
Market cap €22m

Share price graph



Share details

Code CLIQ
 Listing Deutsche Börse Scale
 Shares in issue 6.2m

Business description

Cliq Digital is a sales and marketing group for digital products and services. It also operates a proprietary payments platform. It is headquartered in Dusseldorf and has offices in Amsterdam, London and Paris. Via its network of affiliate partners and its own direct media buying platform, it has customers across the globe. In 2017 76% of sales were generated in Europe, 13% in the Asia Pacific region and 8% in Africa.

Bull

- Exposure to the fast-growth mobile marketing sector.
- Experienced management.
- Strong revenue momentum over the last few years.

Bear

- As the group scales it may become harder to maintain the same rate of marketing efficiency.
- Dependent on major mobile carriers and gateways for customer access and invoicing.
- Limited exposure to the potentially faster growth developing markets.

Analysts

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