360

Equity Research from Kepler Cheuvreux

Release date: 20 May 2022
Market data as of: 19 May 2022

Claranova

France | IT services & software

MCap: EUR135.2m

Get up and go

What's it all about?

We initiate coverage on Claranova with a Buy rating and TP of EUR6. Claranova is a French hybrid player in the IT services & software sector that manages majority interests in key technology markets (Mobile, Internet, and Internet of Things - IoT). We expect the company to post an 8.4% sales CAGR over 2020/21 to 2025/26E, outpacing competitors, based on: 1) a robust medium-term outlook, driven by its unique diversified profile; 2) the expansion of its higher-growth personalised e-commerce business; and 3) the continuous ramp-up of its software publishing and IoT activities. Meanwhile, we expect its adj. EBITDA margin to gradually improve to 11.2% in 2025/26E, amid a more positive product mix and a sustainably improved cost base. All in all, we expect a c. 22% adj. EPS CAGR over 2020/21 to 2025/26E and for FCF generation to further improve after 2021/22E (>15% FCF yield in 2023E), which should support the stock's rebound after being overly penalised by the market, in our view.

Buy (Not Rated)

Target Price:	EUR6.00 (none)
Current Price:	EUR2.94
Up/downside:	104.1%
Change in TP:	none
Change in Adj. EPS:	none 22E/none 23E

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Biographies at the end of this document

360 in 1 minute

Change in Sales: none 22E/none 23E
Change in Adj. EBIT: none 22E/none 23E

Key findings

- Historically a pure B2C software distributor, Claranova has undergone drastic changes under Pierre Cesarini (CEO since May 2013) and now offers a unique commercial proposition based on three areas of expertise: 1) photo printing/personalised e-commerce (PlanetArt, ex-Mobile; 80% of sales in FY 2020/21); 2) software publishing (Avanquest, ex-Internet; 19%); and 3) IoT (myDevices; 1%). Today, Claranova should be viewed as a diversified global technology company that manages majority interests in major technology markets (Internet, Mobile, and IoT), with an overarching mission to make innovative technology accessible to all.
- Geographically, Claranova is a France-based company, but the group is clearly international, deriving 95% of its sales abroad (of which 61% in the US). We view this exposure to the US as a positive in the current macroeconomic environment, while the group has practically no exposure to Russia and Ukraine (<1% of sales).
- As a hybrid technology player, the group is impacted by several underlying markets: 1) the photo printing and personalised e-commerce industry through its main division PlanetArt; 2) the PDF, security, and photo software markets via Avanquest; and 3) the IoT sector through myDevices. Bear in mind that management has chosen to refocus on major tech sectors, aiming for high growth potential and sticky demand.
- Regarding our forecasts, we see Claranova posting an 8.4% sales CAGR over 2020/21 to 2025/26E, fuelled by Avanquest and myDevices, while we expect its EBITDA margin to gradually improve to 11.2% in 2025/26E (vs. 7.2% in FY 2020/21), thanks to a more favourable product mix and further operating leverage.
- In our view, the current share price fails to reflect Claranova's full potential. The group's current EUR180m EV does not even equal our PlanetArt (EUR274m) or Avanquest (EUR238m) standalone valuation. The recent deal to buy back PlanetArt's minorities, implying an EV of USD727-759m, confirms our view.
- We value Claranova with a sum-of-the-parts and derive a fair value of EUR6/share, implying c. 100% upside, which leads us to initiate coverage with a Buy rating.

Bloomberg: AVQ FP	Reuters: AVQ.PA
Free float	72.7%
Avg. daily volume (EURm)	0.9
YTD abs performance	-47.2%
52-week high/low (EUR)	7.90/2.85

FY to 30/06 (EUR)	06/22E	06/23E	06/24E
Sales (m)	484.8	543.1	597.7
EBITDA adj (m)	35.8	49.0	58.8
EBIT adj (m)	30.9	44.2	54.0
Net profit adj (m)	12.9	23.9	33.9
Net financial debt (m)	22.4	2.3	-32.7
FCF (m)	15.4	25.6	35.0
EPS adj. and ful. dil.	0.26	0.48	0.68
Consensus EPS	0.34	0.53	0.54
Net dividend	0.00	0.00	0.00

FY to 30/06	06/22E	06/23E	06/24E
P/E adj and ful. dil.	11.4	6.1	4.3
EV/EBITDA	5.1	3.3	2.1
EV/EBIT	5.9	3.6	2.3
FCF yield	11.4%	18.9%	25.9%
Dividend yield	0.0%	0.0%	0.0%
ND(F+IFRS16)/EBITDA	0.7	0.1	-0.5
Gearing	18.6%	1.7%	-19.6%
ROIC	14.8%	18.4%	27.0%
EV/IC	1.3	1.1	0.9

Sector Most Pref.
Capgemini
Sopra steria

Sector Least Pref.
Tietoevry

Research Framework

Investment case

- Claranova has been totally restructured since the arrival of Pierre Cesarini as CEO in May 2013, and has resumed a more controlled growth strategy with a focus on value creation.
- While we acknowlegde that short-term visibility is limited on PlanetArt, we believe Claranova will continue to outpace competition in the future thanks to its unique approach and diversified profile. Our case is made up of three catalysts: 1) the acceleration in personalised e-commerce, 2) the continued momentum in software publishing and 3) the take-off of the buoyant IoT business, which is still in its infancy.
- In our view, the current share price clearly fails to reflect Claranova's full potential.

Catalysts

- Positive news on marketing in PlanetArt.
- Continuous gain of market share in PlanetArt and Avanquest, take-off of myDevices.
- Spin-off of PlanetArt and/or Avanquest, new anchor investors in the capital.

Valuation methodology

- We value Claranova with a SOP.
- PlanetArt's valuation is based on a DCF (WACC 13.2%, 2% g), Avanquest's on a DCF (WACC 13.2%, 2% g) and peer multiples (2022-23E EV/EBITDA), and myDevices' on transaction multiples (2022E EV/sales).
- We derive a fair value/share of EUR6. At our TP, the stock would trade at 9x EV/EBITDA 2022E, which seems fair given the group's growth and margin accretion potential.

Risks to our rating

- Normalisation post-pandemic and macroeconomic risks (decline in momentum after Covid, decrease in consumers' purchasing power, high beta stock).
- New Apple Privacy Policy with iOS 14.5 launch in April 2021 (failure to compensate for a large part of Apple's stricter confidentiality policy, meaning slower top-line growth in the short-term).
- Competition and client stickiness (increased competition in already highly competitive markets, meaning lower organic growth and/or leading to margin pressure).

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 totally restructured under CEO Cesarini and its strategy redefined towards value creation. Today, it focuses on three businesses: 1) PlanetArt (personalised e-commerce, 80% of sales), 2) Avanquest (B2C SaaS software publishing, 19%), and 3) myDevices (IoT, 1%).

Management

Pierre Cesarini, CEO

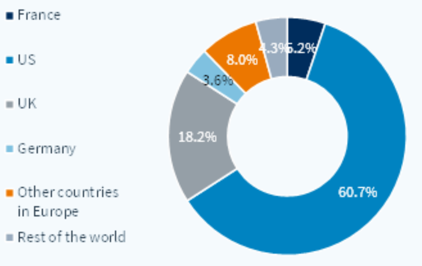
Key shareholders

Free float	72.70%
Management	6.80%
Other institutional funds	6.40%
Ophir AM & Heights CM	4.70%

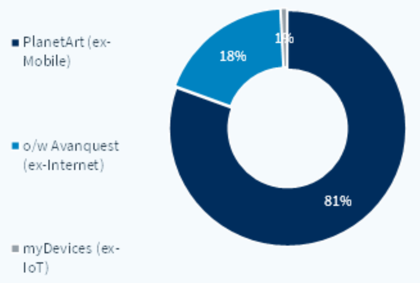
Key data charts

Price performance

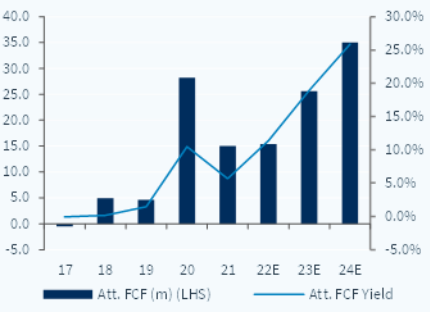
Sales split by region



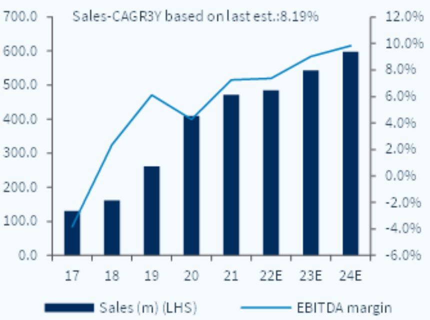
Sales split by division



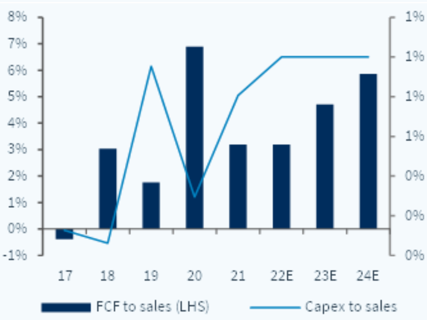
FCF



Sales and EBITDA margin



FCF and Capex to sales



SWOT analysis

Strengths
- Leader in mobile-to-print apps.
- International focus (mostly the US, UK).
- Low customer acquisition costs.
- Sound financial situation.

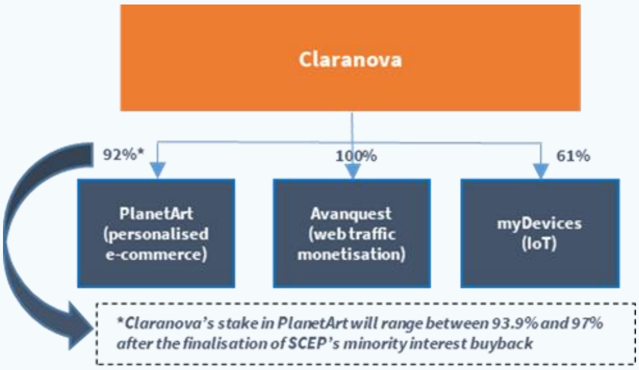
Weaknesses
- Presence in highly competitive markets.
- Complicated track record before restructuring.
- High beta stock, high volatility.
- Few institutional investors in the capital.

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 support a fairer valuation.

Threats
- Failure to bypass new Apple Privacy Policy.
- Decrease in consumers' purchasing power due to inflation.
- Low barriers to entry in the mobile app segment.
- Competition with free PC software.

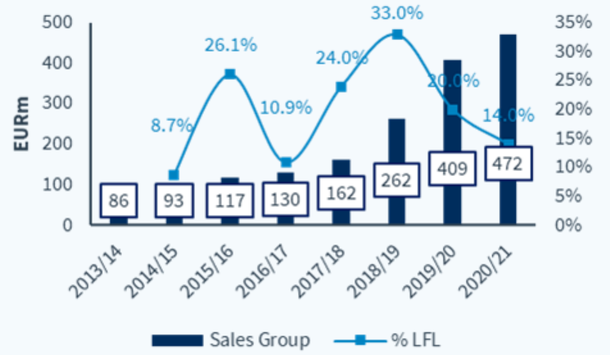
Investment case in six charts

Chart 1: A simplified corporate structure, with recent buyout of Avanquest (64%) and PlanetArt's minorities (between 1.9-5%)



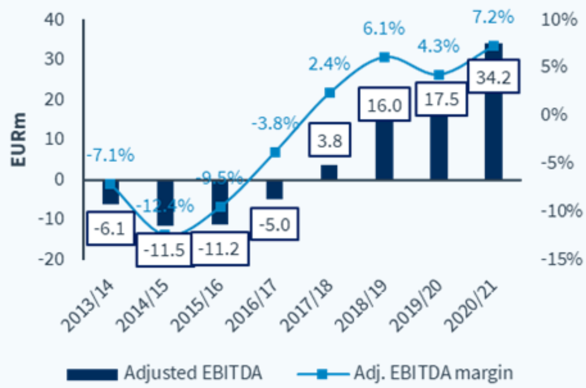
Sources: Claranova, Kepler Cheuvreux

Chart 2: A growth story since the transformation of the group (and the arrival of Pierre Cesarini as CEO in May 2013)...



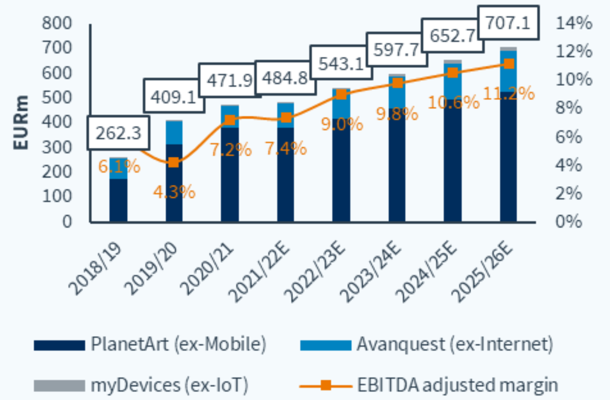
Sources: Claranova, Kepler Cheuvreux

Chart 3: ...that focuses on value creation



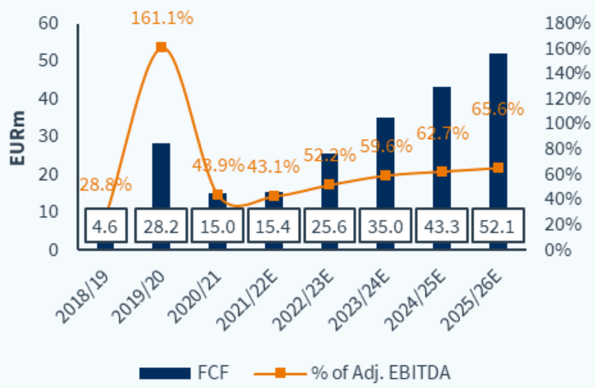
Sources: Claranova, Kepler Cheuvreux

Chart 4: We see profitable growth continuing going forward, fuelled by Avanquest (5Y sales CAGR: +13%) and myDevices (+36%)...



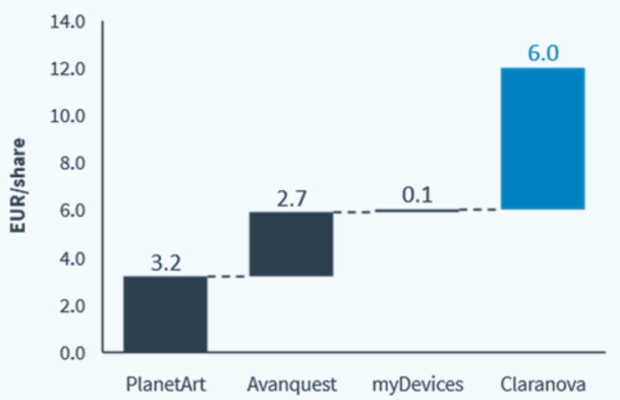
Sources: Claranova, Kepler Cheuvreux

Chart 5: ...hence, further improving the group's FCF profile



Sources: Claranova, Kepler Cheuvreux

Chart 6: We initiate coverage with a Buy rating and a EUR6 TP



Source: Kepler Cheuvreux

Contents

A diversified global technology company

Founded in 1984 and listed since 1996, Claranova (formerly BVRP Software: 1984-1996, Avanquest: 1996-2017, and finally Claranova since 2017) is a France-based technology company that manages majority interests in major technology markets (Internet, Mobile, and Internet of Things). While its headquarters are in France, the group is clearly a global company, deriving 95% of its revenues internationally (61% in the US, 18% in the UK, and 17% in Europe, of which 5% in France and 4% in Germany, and 4% in the rest of the world, based on FY 2020/21 numbers).

2013 was a year of change for Claranova, when the group recruited Pierre Cesarini (May 2013) as CEO. Specialised in company turnarounds, he successfully redefined Claranova's strategy and shifted the focus to value creation and profitability rather than growth at any price. Capitalising on Claranova's existing resources and high-growth areas, the new management team refocused the group's strategy on three distinct businesses: 1) PlanetArt (personalised e-commerce; 80% of sales in FY 2020/21); 2) Avanquest (software publishing; 19% of sales in FY 2020/21); and 3) myDevices (Internet of Things; 1% of sales in FY 2020/21). While synergies between these businesses are virtually non-existent, they nevertheless share the same mission: to make innovative technology accessible to all in order to boost traffic on web and mobile platforms to eventually monetise them.

Finally, Claranova's shareholder structure has started to evolve recently, with the arrival of two institutional investors last August: 1) Heights Capital Management, a US private equity firm specialised in private investments in healthcare and technology growth companies; and 2) Ophir Asset Management, an Australian asset management firm specialised in global small and mid-caps. Institutional shareholders now represent c. 11% of Claranova's shareholder structure. We think this strategic investment was a first step, as management has clearly conveyed its willingness to further simplify Claranova's shareholder structure and increase the weight of reference investors in its capital.

From a physical software distributor to a diversified technology company

A brief history of Claranova

The Claranova story began in 1984 when Bruno Vanryb and Roger Politis created BVRP Software (using the initials of the founders), a pure consumer software publisher operating solely in physical distribution. At that time, the group's business was principally focused on Directory, a personal file management programme, and Compatest, a compatibility testing programme. BVRP Software had a major success in 1995 with WinFax, leader in software for the sending and receiving of faxes by PC. It subsequently developed other telephone software, namely Mobile Phone Tools (solutions for the downloading of data and photos onto mobile phones) in 2000.

In 1996, the group changed its name to Avanquest, and based on the success of its telephone software, the company went public with the aim of financing its international development and acquisitions strategy.

The group pursued a very aggressive M&A strategy from 2007 to 2012, with a total of 22 acquisitions in various sectors, both B2C and B2B. At that time, acquisitions were clearly the company's targeted growth driver. However, the strategy did not have the expected effect; management failed to handle that growth well, which led to a complex organisation and positioning in quite unattractive markets (more than 30% of total sales were recorded in retail distribution in FY 2012/13), while the balance sheet sharply deteriorated (in FY 2012/13, debt reached EUR26.3m for EUR4.8m in cash, in a context of reported losses).

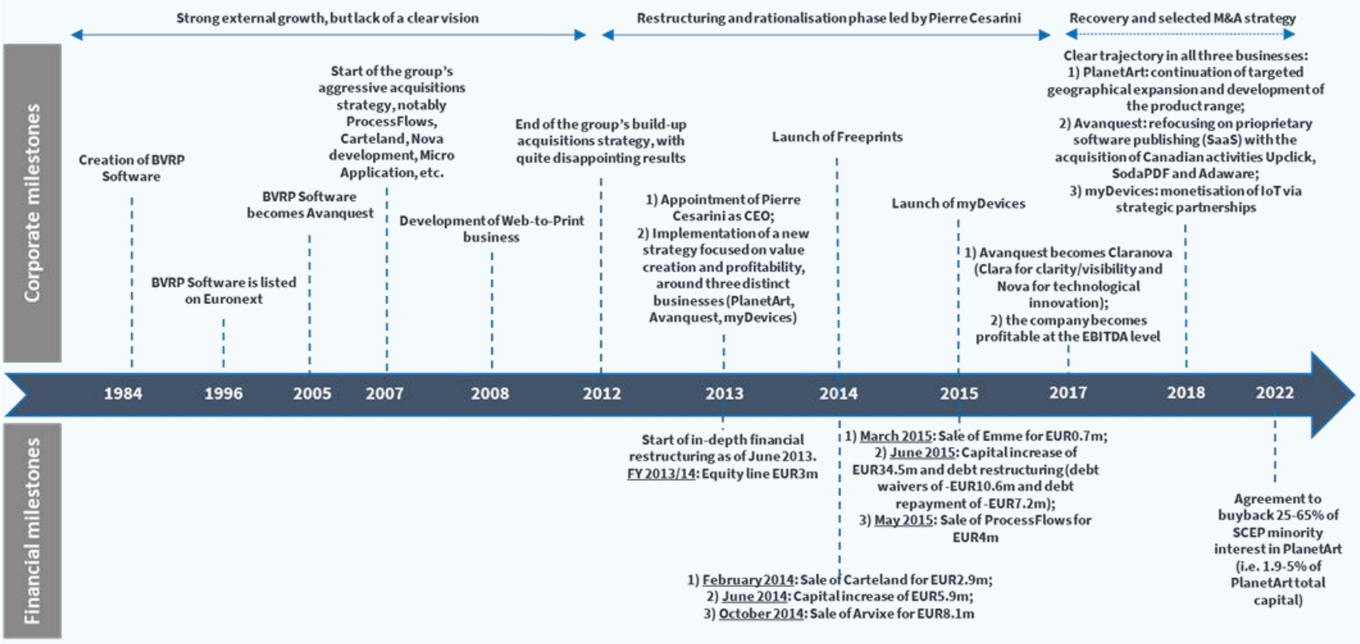
The 2013 appointment of Cesarini as CEO brought change to the company. Specialised in company turnarounds, he completely refreshed Claranova's strategy, moving away from the pursuit of growth at any price and shifting the focus to value creation and profitability. Capitalising on Claranova's existing resources and high-growth areas, the new management team designed its new strategy based on three distinct businesses: 1) PlanetArt (personalised e-commerce); 2) Avanquest (software publishing); and 3) myDevices (Internet of Things).

Essentially, this restructuring phase over 2013-17 led to three main steps:

- Management conducted a vast programme of divestments of non-strategic assets (i.e. closure of the group's Italian and Canadian subsidiaries in 2014, divestments of Carteland, Arvixe, Emme, ProcessFlows in 2015, and the sale of Avanquest Software Publishing in the UK in 2016). Of the EUR100m in revenues acquired before 2013, c. EUR30m remain within Claranova's perimeter today.
- Alongside the operational reorganisation, the group carried out an in-depth financial restructuring starting in June 2013. It entailed several equity issues and the restructuring of its debt (set-up of an equity line in FY 2013/14, of which EUR3m were drawn down during the fiscal year, two capital increases of EUR5.9m and EUR34.5m respectively in June 2014 and June 2015, debt waivers of -EUR10.6m and debt repayment of -EUR7.2m in June 2015). Note that in two years, the group had cleaned up its balance sheet and was already in a net cash position by the end of FY 2014/15.
- Claranova adopted a more targeted M&A strategy, focusing on its three businesses PlanetArt, Avanquest, and myDevices, and on existing countries.

The company changed its name from Avanquest to Claranova in May 2017. "Clara" evokes clarity and visibility while "nova" represents technological innovation – two key components that Pierre Cesarini has placed at the heart of the entity.

Chart 7: Claranova key milestones – BVRP Software (1984-1996) / Avanquest (1996-2017) / Claranova (since 2017)



Sources: Claranova, Kepler Cheuvreux

Claranova's history can be divided into three major phases (Chart 7):

1. **1984 to 2013:** This was a broad phase of development encompassing the company's founding in 1984, its IPO in 1996, its change of name to Avanquest in 2005, and most importantly, its aggressive M&A strategy over 2007-12. While the group showed strong growth up until 2013 thanks to its multiple acquisitions, it started to suffer from its incoherent strategy and lack of vision in 2013. As such, these acquisitions were never really integrated well. For the record, sales increased from EUR100,000 to EUR101m over 1984-13, but without a noticeable impact on profitability. In FY 2012/13, the company posted EBITDA and net losses of EUR1m and EUR66m respectively, while net debt reached EUR24.2m.
2. **2013 to 2017:** Pierre Cesarini was appointed CEO in May 2013 and implemented a new development strategy focused on three businesses (PlanetArt, Avanquest, and myDevices). During this reorganisation and restructuring phase, management carried out a vast programme of divestments to eliminate non-strategic/loss-making assets (Carteland,

Arvixe, Emme, ProcessFlows, Avanquest Software Publishing) and an in-depth financial restructuring programme to clean up its balance sheet.

3. **Since 2017:** In 2017, Avanquest became Claranova and the company organised each business into its own separate legal entity, allowing the group to find minority investors in each of the divisions to accelerate growth (e.g. entry of Semtech into the capital of myDevices and Cap Investment into the capital of PlanetArt). From that time, Claranova's new strategy started to pay off and it became profitable at the EBITDA level, with a clear trajectory in each of its divisions. After totally restructuring the company, management has now resumed a more focused acquisition strategy.

A diversified technology company made up of three distinct businesses

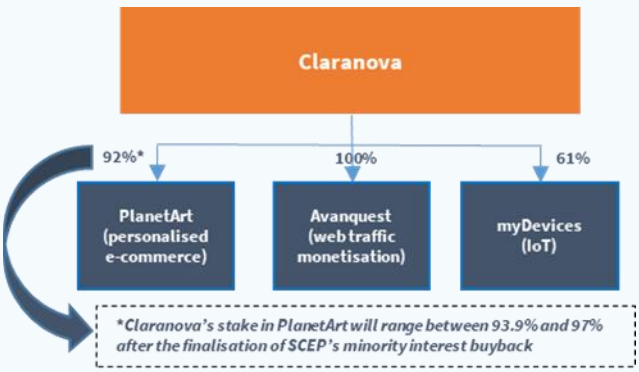
A totally restructured company with a clear positioning

Since 2013, CEO Cesarini has completely redefined the company's strategy to focus on its three high-growth potential businesses of PlanetArt, Avanquest, and myDevices.

Claranova should be viewed as a diversified global technology company that manages majority interests in major technology markets (Internet, Mobile, and Internet of Things). And while there are few synergies between these disparate businesses, Claranova's overarching mission is to make innovative technology accessible to all in order to boost traffic on web and mobile platforms to eventually monetise them.

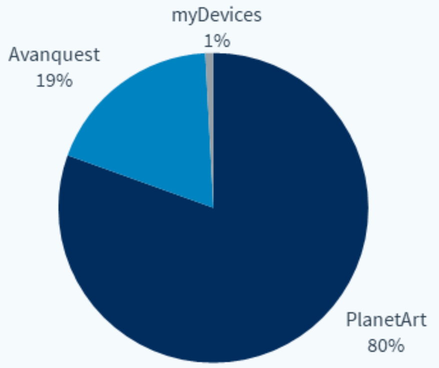
In the following charts, we provide an overview of Claranova's corporate structure and summarise the revenues generated by each subsidiary at the end of FY 2020/21. Note that on 5 January 2022, the group agreed to buy back between 25% and 65% of the 7.7% minority interest that Société Commune Européenne de Participation (SCEP) holds in PlanetArt (i.e. between 1.9% and 5% of PlanetArt's total capital). Claranova's majority stake in its main subsidiary will then range from 93.9% to 97% (we take a hypothesis of 95% from FY 2021/22E onwards in our model), as the group is gradually buying out SCEP's minority interest.

Chart 8: Claranova's current corporate structure



Sources: Claranova, Kepler Cheuvreux

Chart 9: Revenues by segment, FY 2020/21



Sources: Claranova, Kepler Cheuvreux

PlanetArt (80% of sales in FY 2020/21)

Initially specialised in photo-printing services to consumers, PlanetArt has gradually expanded its activity to the larger mass customisation market, with: 1) the launch of the additional FreePrint Gifts app (2020); and 2) the successive acquisitions of Personal Creations (2019), CafePress (2020), and I See Me! (2021).

Over the last few years, PlanetArt has become one of the world's leading online platforms for selling personalised products, and it has successfully evolved from digital printing to mass customisation.

The group has shaken up the photo-printing market on several occasions with its innovations. For example, it was the first to introduce a free photo-printing service for mobile users in 2013 with its FreePrints app. Customers only pay for shipping costs, extra prints, and/or additional features.

After the success of this first app, management took the opportunity to expand its offer to other segments, namely photo monetisation, gifting, and more globally, mass product customisation.

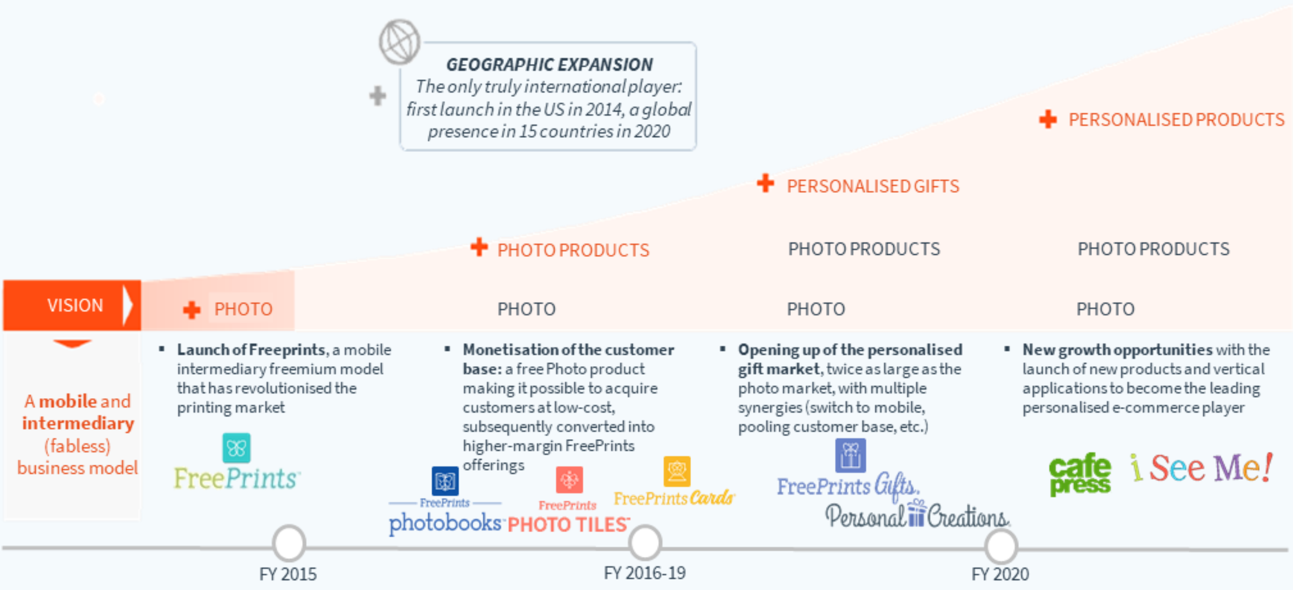
First, PlanetArt expanded its product offering to photo monetisation and gifting in FY 2015/16, leveraging the large customer base that it acquired via its FreePrints app. It has launched four additional apps that function in connection with its "FreePrints" brand: 1) FreePrints Photobooks (2016); 2) FreePrints Tiles (2018); 3) FreePrints Cards (2019); and 4) FreePrints Gifts (2020).

The group then strengthened its exposure to the gifting market, and more specifically to the mass customisation industry over FY 2019/20 to FY 2020/21. The acquisitions of Personal Creations (2019) and CafePress (2020) have been important milestones for anchoring PlanetArt in the personalised gift market, allowing the group to enter new product categories such as clothing & accessories, drinkware, home decor, and wall art, etc. The acquisition of I See Me! (2021) has enabled the group to penetrate the attractive personalised children's product market, especially customised books for kids.

All in all, PlanetArt now operates a portfolio of websites and apps used by tens of millions of customers and is available in 15 countries across the US and Europe.

We outline below the fast expansion of PlanetArt's offering over the last few years, evolving from a digital photo-printing specialist to a leading mass customisation platform.

Chart 10: Claranova, a global player in personalised e-commerce



Sources: Claranova, Kepler Cheuvreux

Interestingly, PlanetArt has quite a balanced revenue mix between its two distribution channels (mobile apps and websites), notably due to its recent acquisitions on the web (Personal Creations, CafePress, I See Me!). Note that the group first penetrated the photo market via a mobile intermediated approach, as opposed to other players, which explains the noticeable portion of sales generated through apps. Clearly, PlanetArt's expertise resides in mobile, and the mix should converge towards this channel in the years to come.

Mobile apps account for c. 50% of PlanetArt's revenues, and is focused on its "FreePrints" brand, which has been developed over the years to comprise a comprehensive range of products. More importantly, the "FreePrints" app should be viewed as an entry point that allows the group to develop its upselling and cross-selling strategy.

Websites account for c. 50% of PlanetArt's revenues. Nevertheless, the interesting point here is the strategic shift toward the broader mass customisation market. Clearly, the most recent acquisitions have been made in personalised products with Personal Creations (2019), CafePress

(2020), and more recently, I See Me (2021), and not in the mature web-to-print photo market, which has already shown signs of overcapacity.

Note that web-to-print was the original photo-printing service offered by the group since the acquisition of Simply To Impress (highly stylish cards and stationery products with text and photos) in 2010. PhotoAffections (wide range of personalised photo products), CanvasWorld (photo transformation into canvas wall art) and MyCustomCase (personalised cases for mobile phones, tablets and other devices) completed PlanetArt's offering.

Bottom line, today revenues from the web channel distribution mainly come from the mass customisation market.

Chart 11: PlanetArt's offering and revenue mix by distribution channel (mobile, web)

	Mobile Apps (c. 50% of sales)	Websites (c. 50% of sales)
Description	Mobile apps on iOS & Android based on a "freemium" business model allowing upselling and cross-selling	E-commerce websites offering a wide range of products and customisable products
Products	Photos, photobooks, tiles, cards and gifts	Cards, photo gifts, canvas, mugs, smartphone cases, etc.
Brands	FreePrints, FreePrints photobooks, FreePrints PHOTO TILES, FreePrints Cards, FreePrints Gifts	photo·affections, CanvasWorld, MY CUSTOM CASE, {simplytoimpress}, Personal Creations, cafe press, i See Me!

Sources: Claranova, Kepler Cheuvreux

Alongside its main personalised e-commerce business, Claranova has developed two additional activities through its two other subsidiaries: 1) Avanquest; and 2) myDevices.

Avanquest (19% of sales in FY 2020/21)
Claranova has been developing and distributing B2C software since it was founded in 1984. That said, this business has been totally restructured over the years, shifting from physical to online distribution, from third-party to proprietary software, from licence to subscription and SaaS, and more globally from simple software package distribution to software publishing.

Over 2015-17, the group embarked on its business model transformation towards proprietary software publishing and SaaS/subscriptions.

From 2017, it started to accelerate this shift, streamlining its product portfolio and refocusing its offering in three main segments (PDF, Security, Photo) following the acquisition of Lulu Software (digital document management and PDF solutions with Soda PDF), Adaware (internet security and privacy tools) and Upclick (e-commerce transaction management solutions) from a Canadian fund in July 2018.

While Avanquest offers a product catalogue of several hundred of software software programs in varied categories such as utilities (antivirus, maintenance, storage, file compression, etc.), office (PDF-based software, document management, CAD software, etc.), graphic design (architecture software, website creation, photo/video and image processing software, etc.), training and games (video games, educational software, schools-related, languages software, etc.), the group has refocused on three proprietary software brands: 1) Soda PDF; 2) Adaware; and 3) inPixio.

One important point to bear in mind is that Avanquest's product strategy is to develop and sell software providing "basic" features for the needs of the average user. Essentially, Avanquest's three brands (Soda PDF, Adaware, and inPixio) address clients seeking functional, accessible, and cheaper software than what is offered by the market leaders (Acrobat, Microsoft, Norton, Photoshop, etc.).

Soda PDF is a suite of applications that allows users to open, view, create, convert, edit, compress, secure, and share PDF files, which was initially launched ten years ago (2010).

Recently, the software added new features in its latest version Soda PDF V12, enabling users to E-sign PDF documents and perform optical character recognition.

Three paid versions are available (Standard, Pro, and Business) either through an annual or monthly subscription, with the annual subscription being less expensive (EUR10.75 a month on an annual basis vs. EUR13 on a monthly basis). Note that all these paid versions are cheaper than those of Avanquest's main competitors (-50% vs. Adobe Acrobat and -20% vs. Foxit PDF, for instance), while offering almost the same features. A free version is also available, including only basic functionalities (display, create, merge, and divide).

To complete its offering in the PDF segment, Avanquest acquired CTdeveloping's PDFescape assets last year for EUR1.8m. This operation should boost the group's online traffic (PDFescape website attracts more than 1m visitors a month) and Avanquest should be able to monetise it easily as PDFescape offers visitors a paid desktop version of its software, which has been embedding the Soda PDF technology since 2016. Also, it benefits from strong brand recognition, and is well referenced on search engines, which bodes well for Soda PDF.

Adaware is a suite of applications used to detect and block viruses, malware, spyware, phishing, adware, and broadly to protect users' privacy on the internet. The Adaware suite was first launched more than 20 years ago (1999). A key differentiating feature of Adaware compared to the competition is its specialisation in personal data security and protection, while other players have a tendency to be more generalists.

Three versions are available (Free, Pro, and Total). The Free edition stops viruses, ransomware, spyware, and malware in real time and scans all downloads before they have a chance to damage the PC. The Pro version consists of the Free edition with the addition of technical support (unlimited technical and customer support 24/7), web protection, online shopping and banking protection, firewall, safe emailing, network protection, and parental control. Finally, Adaware Antivirus Total is the Pro version plus four additional features: 1) PC speed-up and optimisation; 2) privacy protection; 3) Windows issues repair; and 4) PC clean-up.

Alongside antiviruses, Adaware proposes other free products such as:

1. Adaware AdBlock (extension blocking website ads, pop-ups, and video ads for less interruption during browsing, available on Google Chrome, Mozilla Firefox, and Mozilla for Android).
2. Adaware Protect, a bundled online protection suite including Avanquest's longstanding proprietary utility software such as OneSage, registry, Autosave, etc. (VPN, online security, private search, ad blocker, camera/micro blocker, anti-tracking, antivirus, PC cleaner, driver manager, and secure browser).
3. Adaware Safe browser (gatekeeper of the information shard between users' PC and the web).
4. Adaware PC Cleaner (scanning solution to clean registry, remove unwanted pop-ups, etc. It is embedded for free in Adaware Antivirus Standard and in a more advanced paid version in Adaware Antivirus Pro, including retrieval of files, deletion of duplicate flies, permanent destruction of confidential files, personal information protection).
5. Adaware Driver Manager (PC driver updates).

Another product, inPixio, is a photo editing software suite developed by Avanquest and first launched in 2012. This product enables users to remove objects, replace backgrounds, cut out details or people, and build photomontages in a very simple way. The software benefits from a virtuous cycle in that the more customers use InPixio, the better the suite becomes.

The latest version of the software, inPixio Photo Studio 11.5, was released in July 2021. AI is now an integrated part of the software, which now allows 100% auto-sky replacement and 100% auto-remove and replace background.

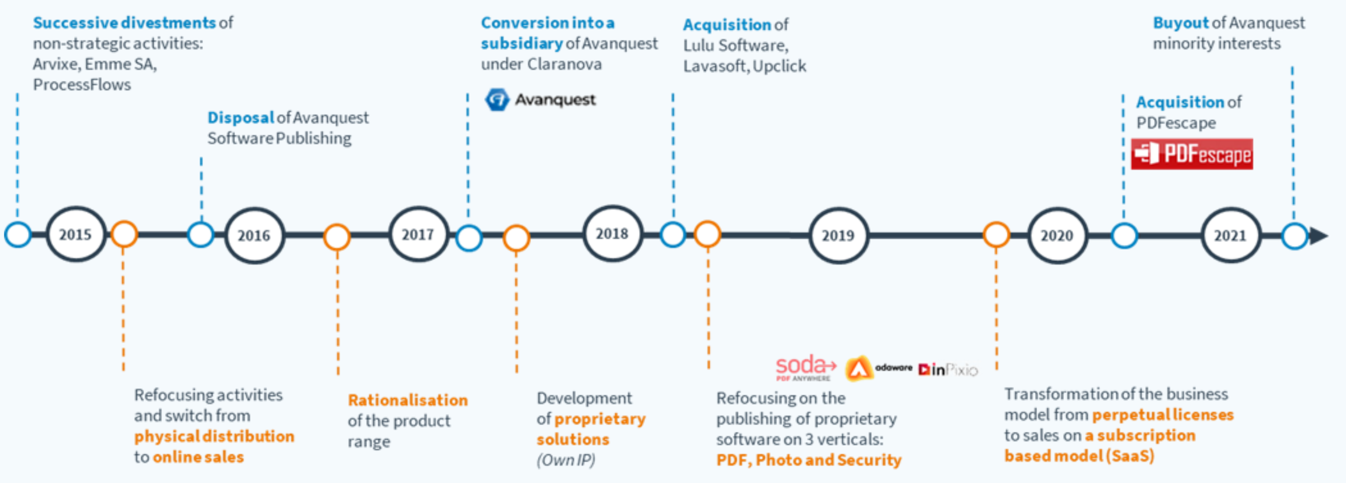
inPixio is available on desktop, web, and mobile in 11 languages (Danish, Dutch, Swedish, Norwegian, Japanese, German, French, English, Italian, Spanish, and Portuguese). It is used by more than 10m customers around the world, according to management. inPixio is a Tier 3 player whose attractive price and user-friendly navigation make it appealing for the average user and help differentiate it from the competition.

All in all, Avanquest now offers a unique commercial proposition, aggregating proprietary software publishing in three pertinent verticals (PDF, Security, Photo).

The group sells its software in more 160 countries, mainly in Europe and North America, where purchasing power is high enough to pay for these kinds of products. In regions where the cost of software could be problematic (India, Africa, for instance), Avanquest logically focuses on monetising traffic instead.

We summarise below the major events in Avanquest's history since 2014.

Chart 12: Summary of Avanquest's major events since 2014



Sources: Claranova, Kepler Cheuvreux

myDevices (1% of sales in FY 2020/21)

Launched in 2015, myDevices is an open IoT management platform that enables companies to quickly design and implement their own IoT business.

Essentially, the myDevices platform allows companies to link up and interact with their connected devices, whatever the type of sensor or its manufacturer or the communication network used (LoRaWAN, Sigfox, NB-IoT, Zigbee, Wi-Fi, Bluetooth, 2-3-4-5G).

All in all, Claranova's idea is to make life easier for industrial players by providing them with the infrastructure they need to develop an IoT solution for their core business.

myDevices stands out due to: 1) its ability to connect all devices; and 2) its integration of a front-end solution for end users (single interface for users) and a back-end connected device solution for enterprises (reporting, data collection and analysis for companies).

On the one hand, users benefit from a single platform to manage their connected devices, which is accessible via a web interface or an app. On the other, companies can analyse the use of the connected devices and the associated behaviour of their clients, allowing them to adapt their marketing strategy to their client base.

Note that myDevices was formed from Claranova's legacy OEM telecom software activity, which represented 100% of myDevices's sales in FY 2015/16, and was bound to disappear. That said, the group has developed a long-term relationship with communication device manufacturers, telecommunication companies, and distributors (winning a historic contract with Sony in particular) and has decided to capitalise on its skills in communications middleware to create and invest in its IoT business.

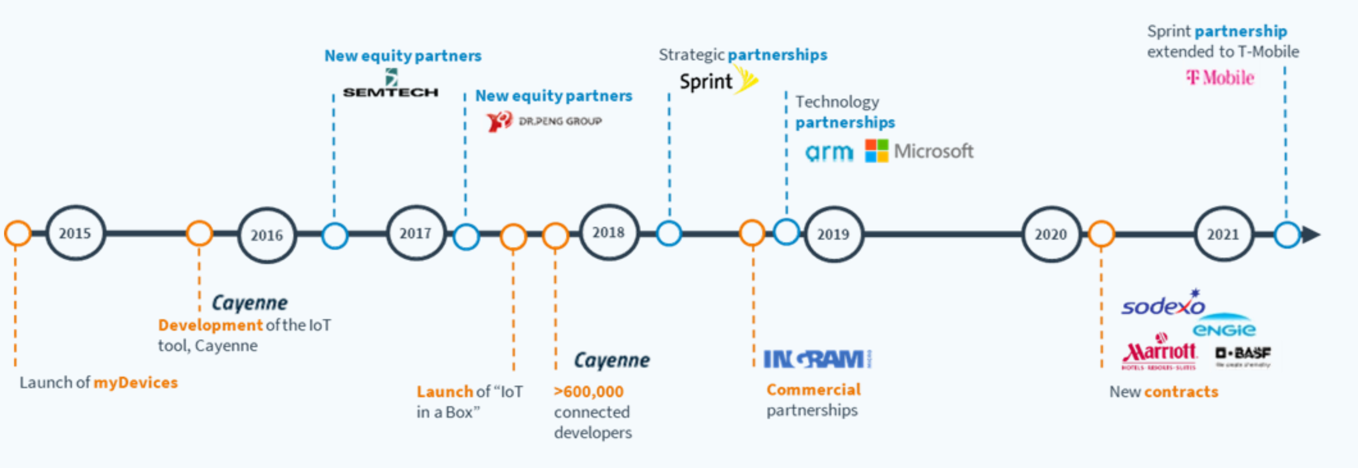
In January 2016, Claranova launched Cayenne, a development tool that allows engineers to quickly and easily develop and deploy complete and turnkey IoT solutions, using little or no coding during the process ("drag and drop"). Launched as a tool for technology evangelism and for the enrichment of the platform, Cayenne currently has around 700,000 developers, which makes it the largest community in the IoT sector in the world.

Finally, to accelerate the marketing of its IoT solutions, myDevices launched in early 2018 as an "IoT in a box" solution, bringing together verticalised and fully packaged offers for the SME market. Management then successfully put in place distribution partnerships with Ingram (for the US) and Alibaba (for China). In FY 2017/18 and 2018/19, myDevices extended its partner network with Sprint in the US, Dr. Peng in China, Microsoft Azure, and Arm.

The May 2018 launch of the Sprint IoT Factory online marketplace, with myDevices's solutions sold through it, opened an addressable market of hundreds of millions of potential customers for vertical IoT solutions. More recently, the group signed new contracts with Sodexo, Marriott, Engie, and BASF, while the Sprint partnership was extended to T-Mobile, after the merger.

We summarise below the key events for myDevices since 2014.

Chart 13: Key events for myDevices since 2014



Sources: Claranova, Kepler Cheuvreux

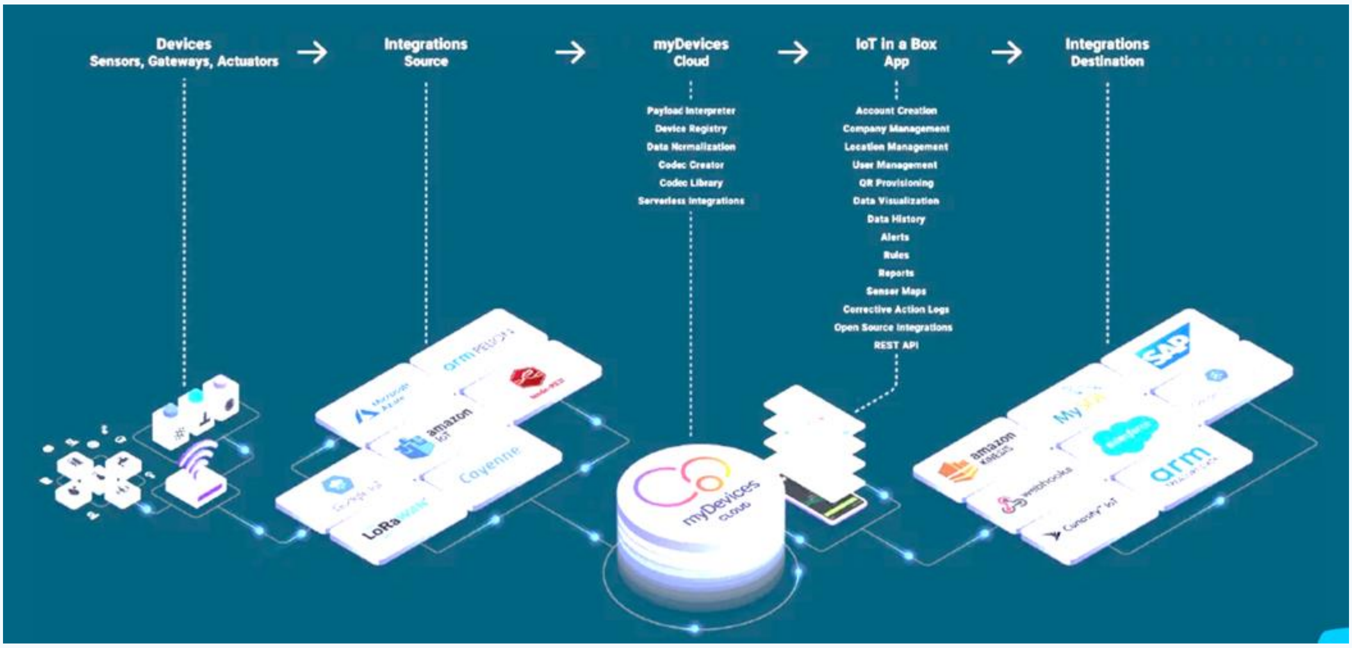
So far, myDevices has developed through its IoT management platform seven vertical applications for its customers and reseller partners in the fields of: 1) cold management (SimplySense.com); 2) security (PushandProtect.com, PushandCall.com, LockdownAlert.com); 3) space and comfort optimisation (Countario.com); 4) predictive maintenance (PredictAlert.com); and 5) water conservation (WaterSaveSensor.com).

Chart 14: myDevices's seven vertical applications

Sources: Claranova, Kepler Cheuvreux

Overall, myDevices's architecture is based on APIs, web and mobile interfaces, data management and security, and business intelligence tools.

Chart 15: myDevices's end-to-end platform



Sources: Claranova, Kepler Cheuvreux

Below, we provide an overview of myDevices's technical architecture.

- myDevices is an agnostic IoT platform that can be integrated into practically all systems, clouds, and applications. Sensors connect to an IoT gateway, and myDevices uses Microsoft Azure, Arm Pelion, Google IoT, and Amazon IoT to manage the flows of data.

  These data then transition to the myDevices Cloud, Claranova's platform, which includes a payload interpreter, a device registry, and a data normalisation system. Claranova's solution is able to dispatch the source data to Amazon Kinesis, Microsoft Azure, or Google Cloud Pub/Sub for storage, while standardised data can be integrated through APIs into SAP, Salesforce, or Arm Treasure Data, which can then be analysed or applied to AI algorithms. Note that myDevices Cloud sends emails and/or text messages directly to the app or the end-user's phone.

- The development tool Cayenne allows users to create custom dashboards, remotely manage their IoT projects, set alerts based on triggered events, create triggers based on real-time data and actions, track any connected device, and configure any elements in their IoT project.

- Currently, myDevices has 450+ "plug and play" connected devices (sensors, gateways, add-ons) available on its marketplace, which is the world's most extensive IoT device catalogue with products from 175+ manufacturers. Some are certified for LoRaWAN, Bluetooth, NB-IoT or LTE.

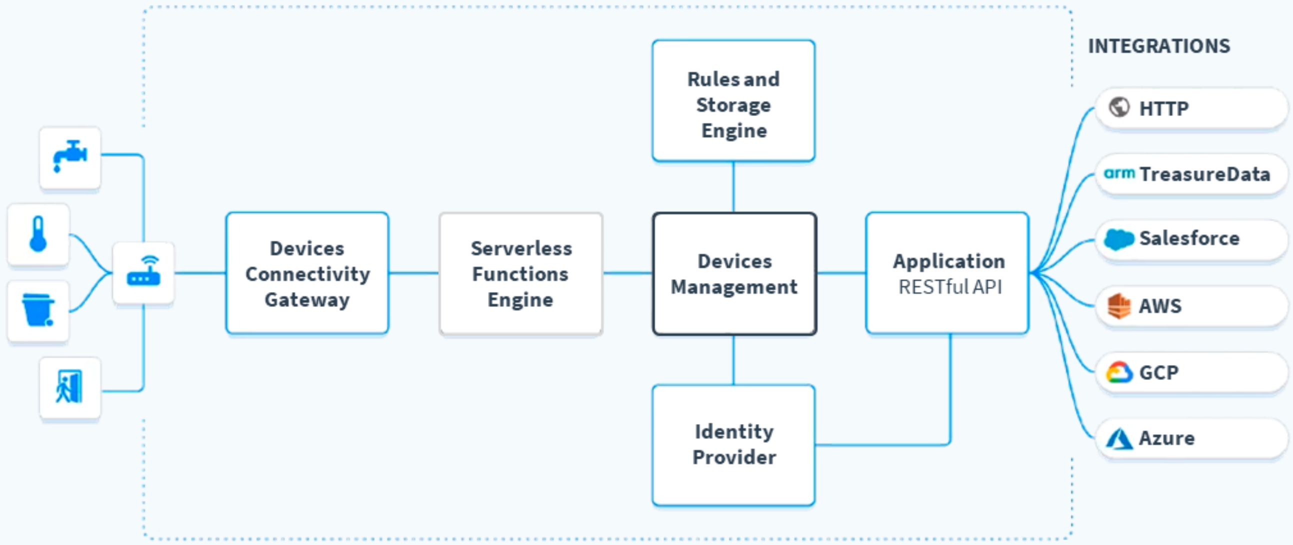
- IoT in a Box is a set of pre-packaged solutions based on industry use cases, primarily dedicated to SMEs. Here, the idea is to offer users quick and easy-to-use solutions at affordable prices. The packages embed IoT connectivity (LoRaWAN or LTE), connected devices (sensors, gateways) and a cloud-based configuration application (web, mobile app). The configuration interface process has been simplified, and users can install connected objects themselves by scanning the QR code via the myDevices app, allowing for the installation to be completed in a few minutes. Connection to the platform is then automatic and clients can set up alerts from the website or the app.

  So far, 26 pre-packaged solutions have been developed, dedicated to the following functions: cold chain data logger, air quality, indoor/outdoor asset tracking, gas/bin monitoring, power metering, cleaning tracking, CO2 monitoring, cryogenic temperature, desk occupancy, HVAC Modbus, indoor air quality, electricity pulse metering, HVAC filter monitoring, machine health predictive maintenance, leak detection, soil moisture, people counting, air flow, mouse trap, smart room sensing, smart metering, AC outlet automation, AC switch automation, and cold room monitoring.

Note that these packaged solutions are also sold via specialised websites: 1) SimplySense.com for cold management (dedicated to the healthcare and food service sectors); 2) PushandProtect.com for the panic button solution (dedicated to hotel and hospital employees, students and staff on campus); 3) PushandCall.com for the nurse call button (for use in healthcare facilities); 4) LockdownAlert.com for the post-intrusion door barricade system (destined for schools, but it could be extended to hospitals, commercial and government offices, etc.); 5) Countario.com for occupancy and people counting (for large venue, retail, workplace, and restroom utilisation); 6) PredictAlert.com for predictive maintenance solutions (destined for the industrial sector); and 7) WaterSaveSensor.com for toilet monitoring.

We summarise below myDevices's technical architecture.

Chart 16: myDevices's technical architecture



Sources: Claranova, Kepler Cheuvreux

A truly international company, with strong roots in the US

Claranova is based in France, but it generates almost all of its revenues outside its home country. Indeed, at the end of FY 2020/21, the group derived 95% of its sales from international markets, and only 5% from France.

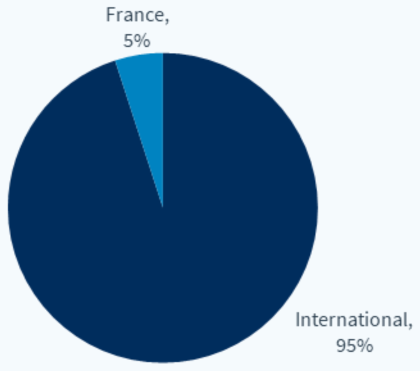
As a result, we can safely say that Claranova is a truly international company. And in fact, each product has been designed for global deployment right from the start.

Today, Claranova is present in 15 countries, with a bias towards North America (61% of revenues in FY 2020/21). Europe (39%) is the second main geographical area for the group, where the UK (18%) and France (5%) are the leading contributors.

The rising importance of PlanetArt, the major division of Claranova (80% of revenues in FY 2020/21), in the US and the UK explains the dominant positions of these two regions in terms of their sales contributions. In FY 2020/21, these two countries accounted for c. 79% of revenues.

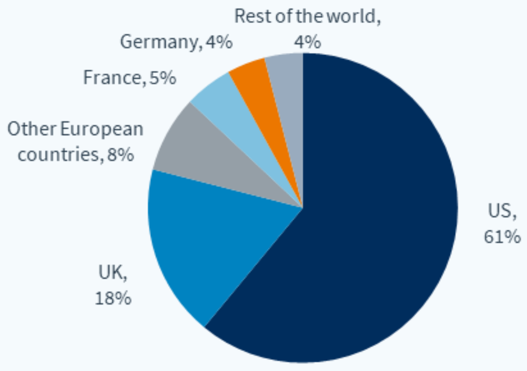
In the following charts, we show Claranova's sales breakdown at the end of FY 2020/21.

Chart 17: Claranova's sales breakdown, FY 2020/21 (1/2)



Sources: Claranova, Kepler Cheuvreux

Chart 18: Claranova's sales breakdown, FY 2020/21 (2/2)



Sources: Claranova, Kepler Cheuvreux

Arrival of new management in 2013 ushered in a new era

Claranova has been led by Pierre Cesarini (Chairman-CEO) since 2013

Claranova is led by Pierre Cesarini, who has been managing the company since May 2013.

Prior to joining Claranova as CEO in May 2013, Pierre Cesarini began his career at Apple's Cupertino headquarters in California, where he spent ten years and played a key role in the development of the PowerMac. In 1998, he founded TempoSoft, a supplier of intranet applications for HR management and planning that was purchased by Oracle in 2005. In 2007, he became CEO of Atego, an embedded software provider, which was then sold to PTC in 2013. Note that he has also been a professor of management at the École des Mines ParisTech engineering school since 2010. Pierre Cesarini has a master's degree in software engineering from Telecom Paris.

An evolving shareholder structure with more institutional investors

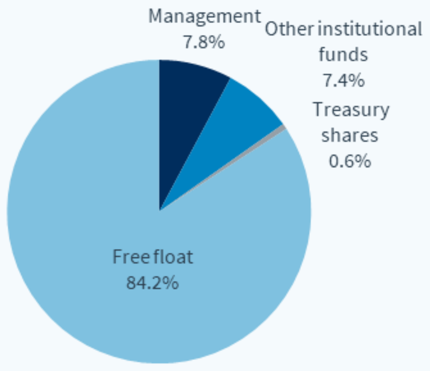
Historically, Claranova's shareholding structure has been very fragmented, with a significant number of retail investors embedded in the free float (c. 80%). In contrast, institutional investors have accounted for a very limited portion of the capital (c. 7%) over the past few years, probably due to the company's complex history, which has led to limited attendance at the AGM, and a structural discount to the fair value in our view.

That said, Claranova's shareholding structure has started to evolve recently, with the arrival of two institutional investors last August: 1) Heights Capital Management, a US private equity firm specialised in private investments in healthcare and technology growth companies; and 2) Ophir Asset Management, an Australian asset management firm specialised in global small and mid-caps.

Claranova in fact announced two simultaneous strategic deals on 11 August: 1) an agreement with Heights Capital Management and Ophir Asset Management for an investment of EUR65m (EUR15m reserved capital increase of which EUR10m for Ophir AM and EUR5m for Heights CM, as well as OCEANE convertible bonds of EUR50m fully subscribed by Heights CM, with an 86% conversion premium); and 2) the buyout of the minority shareholders of Avanquest, Claranova's software division, for EUR99.9m (i.e. 64% of the shares, financed with EUR47.7m in cash, EUR28.7m via a capital increase and the issuance of 4.1m new shares, and EUR23.6m through promissory notes).

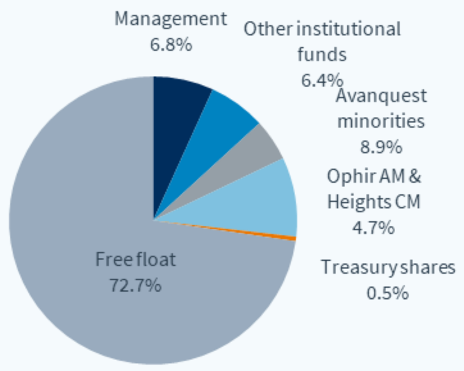
Thanks to this operation, institutional shareholders now represent c. 11% of Claranova's shareholding structure. We think this strategic investment was a first step as the management team has clearly indicated its willingness to further simplify the group's shareholding structure and increase the weight of reference investors in its share capital.

Chart 19: Claranova's capital before the arrival of Heights and Ophir



Sources: Claranova, Kepler Cheuvreux

Chart 20: Claranova's capital after the arrival of Heights and Ophir



Sources: Claranova, Kepler Cheuvreux

Innovative, predictable, and scalable business models

As a diversified technology company, Claranova has developed several business models inherent to its three divisions (PlanetArt, Avanquest, and myDevices), but all sharing common ground. Three words summarise Claranova's models: 1) innovative; 2) predictable; and 3) scalable.

PlanetArt's business model centres on its ability to build a strong user base through sustained marketing investments and ergonomic interfaces appreciated by users in order to monetise their audience and build customer loyalty. Its three key pillars are: 1) advertising; 2) client acquisition; and 3) monetisation.

Avanquest has transformed its business model over the past few years, shifting from physical to online distribution, from third-party to proprietary software, from licence to subscription and SaaS, and more broadly from simple software package distribution to software publishing. Its revenue model is based on proprietary software publishing and, to a lesser extent, web traffic monetisation (i.e. generating maximum traffic in order to monetise it through fee-based solutions or digital marketing). Avanquest's approach relies on an infrastructure that is built around online and CRM tools, which is enhanced by big data and artificial intelligence.

Finally, myDevices has been developed mainly through a PaaS (or B2B2C) business model, i.e. it does not interact with the final customer, but sells its solutions via its partners (telecommunication companies, IT services firms, business services, or facility management companies, etc.). That said, myDevices sometimes sells its solutions directly to the final user. In this case, the group provides an end-to-end solution and manages the support, billing, and training activities, according to a SaaS model.

PlanetArt: freemium business model coupled with a mobile/fabless approach

A disruptive business model based on a fabless approach…

PlanetArt has based its business model on a "freemium" model and focuses on the mobile-to-print photo market, while most competitors are desktop-native players.

PlanetArt's business model centres on its ability to build a strong user base through sustained marketing investments and ergonomic interfaces appreciated by users in order to monetise its audience and build customer loyalty. Its three key pillars are: 1) advertising; 2) client acquisition; and 3) monetisation.

According to Claranova, the cost of acquisition of a FreePrints client ranges from a low- to mid-single-digit euro amount (estimated at EUR3-4), with this investment covered in less than a year (actually when the first order has been placed).

The superiority of the mobile business model compared to the web lies in the fact that mobile users return in a recurring manner over life cycles of several years (vs. one to two years for the web, concentrated on the Christmas season). In the mobile segment, as a function of the quarter (i.e. marketing investments), 75-80% of sales come from existing users, with each order showing a positive gross margin.

Regarding logistics, from the outset PlanetArt opted for an asset-light model, with all printing outsourced. This fabless model is quite unique in the industry since almost all competitors own their printing facilities. Only Moonpig has a hybrid model, combining two factories in the UK and in the Netherlands, with an outsourcing approach.

This model gives PlanetArt flexibility, scalability, and greater leeway to focus on customer satisfaction.

- **Flexibility:** PlanetArt has significant flexibility to try out new products and new geographical regions without having to make significant upfront investments. Capex is very low and has always represented less than 1% of total sales since the reorganisation/restructuring of the company (0.8%, 0.3%, and 1% of sales in FY 2020/21, FY 2019/20, FY and 2018/19 respectively).

- **Scalability:** PlanetArt's model is highly scalable given that production is completely outsourced. The group has several partnerships with local printers and one or more delivery services in each country. The fact that PlanetArt does not need to build new facilities when launching a new product or entering a new market makes its model easily replicable across regions without significant investments. The group can therefore more easily gain market shares, while outperforming its competitors in terms of top-line growth. Note that PlanetArt is the most diversified player in the industry in terms of geography and this would have not been possible without its fabless model.

- **Customer-oriented strategy:** As mentioned earlier, PlanetArt is targeting revenue growth from a combination of growing the customer base and encouraging the existing customer base to order more frequently and buy a wider range of products. In other words, the group's model relies on its capacity to acquire customers and retain them. Thanks to its fabless model, PlanetArt can then concentrate on its sales strategy and customer retention.

That said, outsourcing production to third parties may have some disadvantages, as it may be forced to rely heavily on particular manufacturers or logistics suppliers, hence it may command a lower gross margin than peers (c. 40-45% estimated vs. c. 60-70% on average for competitors).

Indeed, a termination of contract or a change in commercial policy could hamper the group's business and lead to a transition period. Typically, the group has one historical printer in the US (District Photo), but apart from that, it is not highly dependent on its suppliers, as it works with more than a hundred companies. Regarding the gross margin, it is clear that PlanetArt is dependent on its partners' pricing policy.

Nevertheless, its high volumes offset the greater cost variability and Claranova's less seasonal business allows it to negotiate unit costs with local partners, as they are often plagued by overcapacity outside the Christmas period. Eventually, the evolution of the product mix towards more customised products with higher margins should help to offset the negative effect on the gross margin.

...and mutualised front- and back-office functions

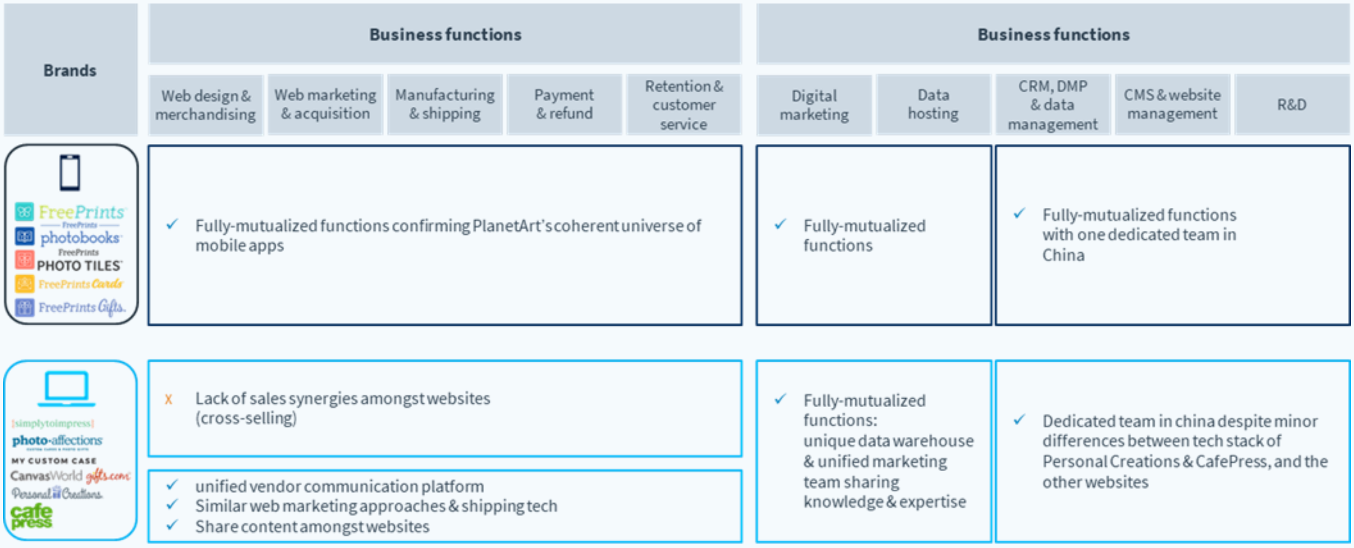
Aiming to mutualise its global cost structure, PlanetArt has successfully set up a centralised infrastructure and organisation for its brand portfolio, both in terms of front- and back-office functions.

- **Front-office functions:** Regarding its mobile offer, PlanetArt has mutualised all of its front-office functions such as web design and marketing, manufacturing and shipping, payment and customer services. All business functions necessary to market and develop the "FreePrints" brand have been centralised, allowing for a clear commercial proposition. On its web channel, there are fewer synergies between PlanetArt's historical websites (Simply To Impress, Photo Affections, CanvasWorld, MyCustomCase), but more from the last acquisitions (Personal Creations, CafePress). For instance, they share the same marketing approaches and content on the websites.

- **Back-office functions:** PlanetArt has developed a unique IT system to gather and unify all its back-office functions such as digital marketing, data hosting, CRM, website management, and R&D. Note that for digital marketing and data hosting, PlanetArt has a single data enterprise data warehouse and one marketing team to manage its mobile and web offerings.

All in all, PlanetArt has implemented a mutualised cost structure for its front- and back-office functions, allowing for economies of scale and margin improvement.

Chart 21: Pooling of front- and back-office functions well underway



Sources: Company, Kepler Cheuvreux

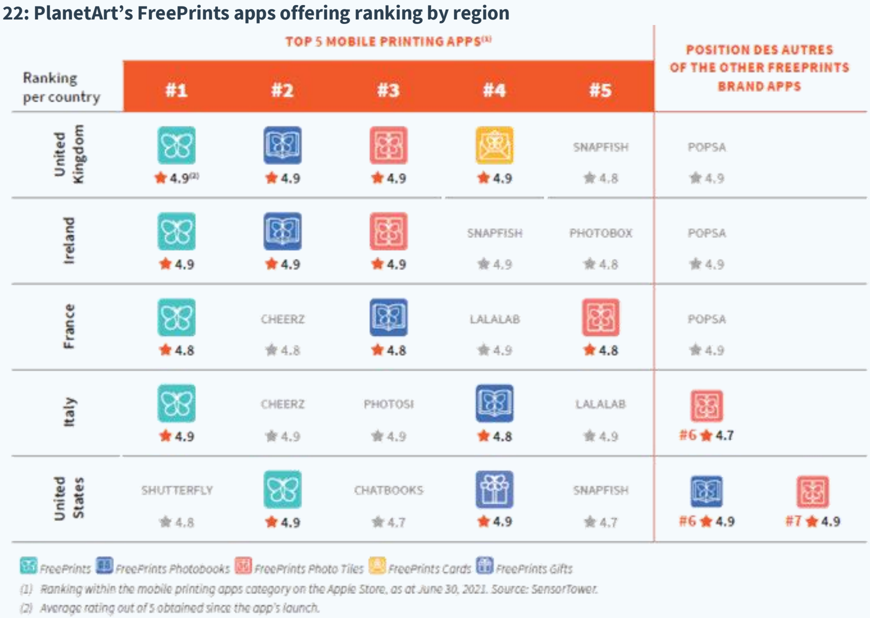
PlanetArt's competitive advantages seem hard to replicate

PlanetArt's strongest competitive advantages are in mobile…

PlanetArt's main competitive advantages reside in its focus on mobile and its fabless model. The group was one of the first to penetrate the mobile-to-print photo market in 2014 and clearly benefits from its first-mover advantage. Note that most competitors are desktop-native (Shutterfly, CEWE, Photoweb) and therefore came later to this market. The mobile-to-print industry is quite different from that of the web-to-print, with a different customer experience design and culture; hence, the shift is not easy. PlanetArt's competitors had to make acquisitions to penetrate this market (CEWE with Cheerz, for instance), which in return delayed their development in this new distribution channel.

FreePrints apps regularly appear in the top five photo printing solutions in mobile app stores. This visibility strengthens the virtuous growth cycle of the customer base and allows the division to roll out higher-margin products through additional personalisation options and new products (photo albums, photo frames, personalised cards and gifts).

Chart 22: PlanetArt's FreePrints apps offering ranking by region



Sources: Claranova, Kepler Cheuvreux

A gap has thus been created between PlanetArt and its competitors. While the latter were trying to develop a mobile app with a strong user experience, PlanetArt continued to expand its offer and develop a unique app ecosystem from photo to personalised products.

As a result, PlanetArt has developed strong competitive advantages in mobile apps, while it will be hard for competitors to replicate.

Below we sum up PlanetArt's competitive advantages in the mobile channel.

Table 1: PlanetArt's competitive advantages in mobile-to-print

PlanetArt	PlanetArt's competitors
▪ Complementary app embedding a wide offering	▪ Most competitors are specialist, and much less diversified in terms of products and regions. PlanetArt's model in mobile will be hard to replicate and would require M&A, as most competitors are desktop-native.
▪ Best-in-class targeting capabilities to gain new clients with a low cost of acquisition	▪ Competitors focus on brand image and therefore have much higher marketing costs. Their cost base would be difficult to streamline given their strategy.
▪ Easy-to-use app	▪ Almost all competitors are desktop-native, with initially little experience in the mobile-to-print market. This will take time to build an app offering a strong user experience.
▪ Strong customer satisfaction	▪ PlanetArt, thanks to its positioning and easy-to-use app, benefits from both a high customer satisfaction and retention rate and a regular increase in the average basket. Switching costs would be high for customers, and competitors would have to spend a lot to convert PlanetArt's clients.

Sources: Claranova, Kepler Cheuvreux

…while the group has developed a different strategy for the web

In the more competitive web-to-print market, PlanetArt has developed a different approach from its competitors. Here the group competes with web-native players that are much bigger in size and with more financial leeway in terms of sales and marketing. This is the reason why management has decided to create a wide complementary offer, with different entry points in order to differentiate itself.

In the websites channel, PlanetArt proposes a complete offer in the mass customisation market, with products ranging from invitation cards, photo gifts, and custom phone cases to personalised children's books. This wide product offering in customise products, combined with its fabless model, represent PlanetArt's principal competitive advantage.

In addition, the CafePress marketplace provides further interesting competitive edges for the group. It represents another integrated sales channel that allows the group to market its other product (e.g. to enlarge Personal Creations's offering on CafePress's website), while controlling the online customer experience on the platform.

Also, owning the marketplace allows the group to have a pertinent overview of what products whet customers' appetite, to then adapt its current offering and/or expand it by signing new partnerships. Eventually, this other sales channel allows for more data collection, which is essential to attract, convert and retain clients. This last point is even more true in the current context of new privacy update on the iOS 14.5, and the problem Facebook is currently facing.

We provide below a summary of PlanetArt's main competitive edges in the website channel.

Table 2: PlanetArt's competitive advantages in web-to-print

PlanetArt	PlanetArt's competitors
▪ Wide complementary offer, with different entry points.	▪ Some competitors are much bigger in size, and have more financial leeway, but do not have such a broad offer. Their in-house production does not allow them to expand their offer as fast as PlanetArt.
▪ The CafePress marketplace is an additional sales channel, that allows for some cross-selling between websites (mostly CafePress and Personal Creations)	▪ Most competitors do not own a marketplace, but rely on their own website, which limits the cross-selling opportunities.
▪ CafePress allows for adjustments of the product offering according to customers' tastes and needs, while the marketplace regularly attracts new brands and sellers.	▪ CafePress is the exclusive licensee of properties from Marvel, Hasbro and many others. These properties are used to create unique content that is easily applied to a large assortment of engaging merchandise. This would be hard for competitors to replicate.
▪ CafePress improves PlanetArt's client data collection.	▪ While Facebook has been affected by the new iOS 14.5 update regarding ad targeting, CafePress has acted as a buffer, even if it does not totally compensate for the negative impact.

Sources: Claranova, Kepler Cheuvreux

Summary of PlanetArt's competitive advantages

As mentioned before, PlanetArt's strongest competitive edges are in mobile. Clearly, the group benefits from its mobile-first approach, and more importantly from its growth strategy based on customer acquisition via its affordable and user-friendly offering. Recall that PlanetArt has built its strengths on its easy-to-use mobile apps and websites, and its targeting capabilities to repeatedly attract and convert new customers.

This major difference in the growth model largely explains why peers must make much heavier investments in marketing than PlanetArt. Finally, its unique fabless model creates the foundation for a very highly scalable infrastructure, while the group has managed to create a coherent offer around a centralised platform in terms of both front- and back-office functions.

With a presence in 15 countries, PlanetArt is by far the most global player in the industry. We do not think that this rapid expansion would have been possible with an in-house production model.

Table 3: Summary of PlanetArt's competitive advantages

PlanetArt	PlanetArt's competitors
▪ Focus on mobile. First mover in this market back in 2014.	▪ Most competitors are desktop-native players. M&A has been required to penetrate the mobile-to-print market.
▪ Growth strategy based on user-friendly mobile apps and websites, as well as best-in-class targeting capabilities to continuously gain new customers.	▪ Competitors have developed their businesses through brand awareness, implying higher marketing expenses than PlanetArt.
▪ Fully-integrated platform (i.e. mutualisation of front- and back-office functions), minimising complexity.	▪ Competitors run a brand portfolio, with no integrated platform, leading to a complex organisation.
▪ Fabless business model, leading to a an easily scalable infrastructure.	▪ Most competitors have kept their production in-house, making the model asset-heavy and not very scalable. Only Moonpig has recently developed a hybrid model.

Sources: Claranova, Kepler Cheuvreux

Avanquest, a successful business model transformation

Avanquest focuses on B2C proprietary software publishing through a SaaS model

As mentioned before, Avanquest has transformed its business model over the past few years, shifting from physical to online distribution, from third-party to proprietary software, from licence to subscription and SaaS, and more globally from simple B2C software package distribution to B2C SaaS software publishing.

Indeed, the software industry has shifted radically over the last decade with the explosion of online distribution, "freemium" and SaaS/subscription business models, and Avanquest has transformed its model accordingly and repositioned itself in relevant end-markets (i.e. with high growth potential, and stickiness).

The group's software addresses three main sectors: 1) PDF; 2) Security; and 3) Photo. The acquisitions of Lulu Software (digital document management and PDF solutions with Soda PDF), Adaware (internet security and privacy tools) and Upclick (e-commerce transaction management solutions) in July 2018 have really been the game changers for the division, enabling the group to refocus on its three main proprietary software brands: 1) Soda PDF; 2) Adaware; and 3) InPixio.

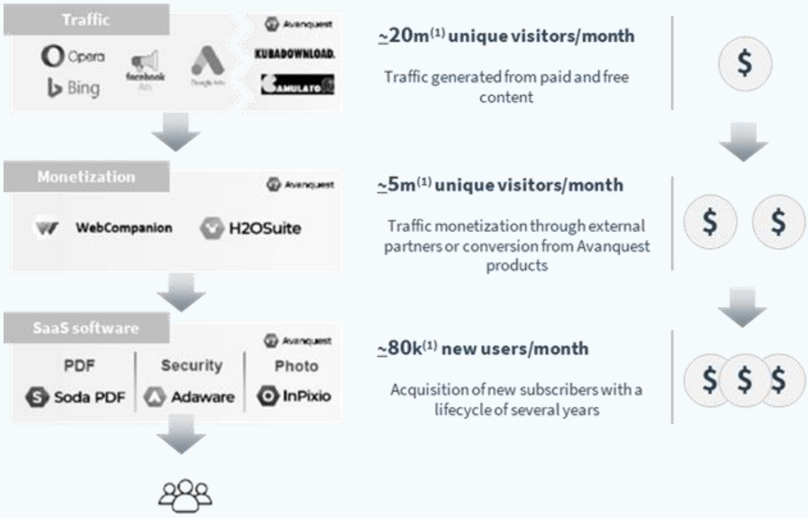
Essentially, Avanquest's revenue model is based on proprietary software publishing sold on a SaaS mode and, to a lesser extent, web traffic monetisation (i.e. generating the maximum amount of traffic in order to monetise it through fee-based solutions or digital marketing). Avanquest's approach relies on an infrastructure based on online and CRM tools, and is enhanced by big data and artificial intelligence.

The acquisition and successful integration of Lulu Software, Adaware and Upclick clearly boosted Avanquest's web traffic generation capabilities.

Interestingly, the group takes a holistic approach, with the objective of controlling the entire value chain: from generating traffic to its monetisation and conversion to its SaaS solutions.

Avanquest is an integrated player which differentiates itself from the competition by taking a proactive approach to attracting customers, which has allowed the group to scale up its business. As Avanquest does not strive to create a strong brand image, which is an expensive strategy, it can focus on traffic generation and client acquisition, which allows it to achieve profitable growth at a relatively low price.

Chart 23: How does Avanquest's web monetisation strategy work?



Source: Claranova, Kepler Cheuvreux

myDevices, monetised in PaaS or SaaS mode

Primarily a PaaS business model…

myDevices has developed mainly through a PaaS (or B2B2C) business model, i.e. it does not interact with the final customer, but sells its solutions via its partners (telecoms companies, IT services firms, business services or Facility Management companies, etc.).

Essentially, the group's partner sells the solutions alone or via its own partners. myDevices charges fees for its solutions on a monthly basis through a fixed price per active deployed connected device by the end-customer (per sensor + per base + per data extraction per month, or per sensor + per network access + per monthly report) with a sliding scale price per number of devices. Note that when devices are sold via a marketplace, revenues are shared between myDevices and its partner (who is in charge of developing this marketplace).

All in all, via its PaaS model, myDevices "rents" its white-label solutions to its partners, who then sell the devices to end-customers or distribution networks (Sprint, or Alibaba for instance). myDevices applies a revenue-sharing model based on a fixed price per active deployed connected device. Interestingly, myDevices will train salespeople and develop platform ownership tools for larger deployments.

… and sometimes a SaaS model

To a lesser extent, myDevices sometimes sells its solutions directly to the final user. In this case, the group provides an end-to-end solution and manages the support, billing and training activities, according to a SaaS model.

In this case, the remuneration scheme is as follows:

- 50-60% of the final user's bill goes to myDevices.
- 15-20% goes to the reseller.
- 10% goes to the wholesaler.
- 15-20% goes to infrastructure providers (cloud, IoT network, hardware).

Note that this model is developed with resellers, wholesalers and infrastructure providers. It is highly replicable, but less "personalised" and with a weaker "service" dimension than the PaaS model.

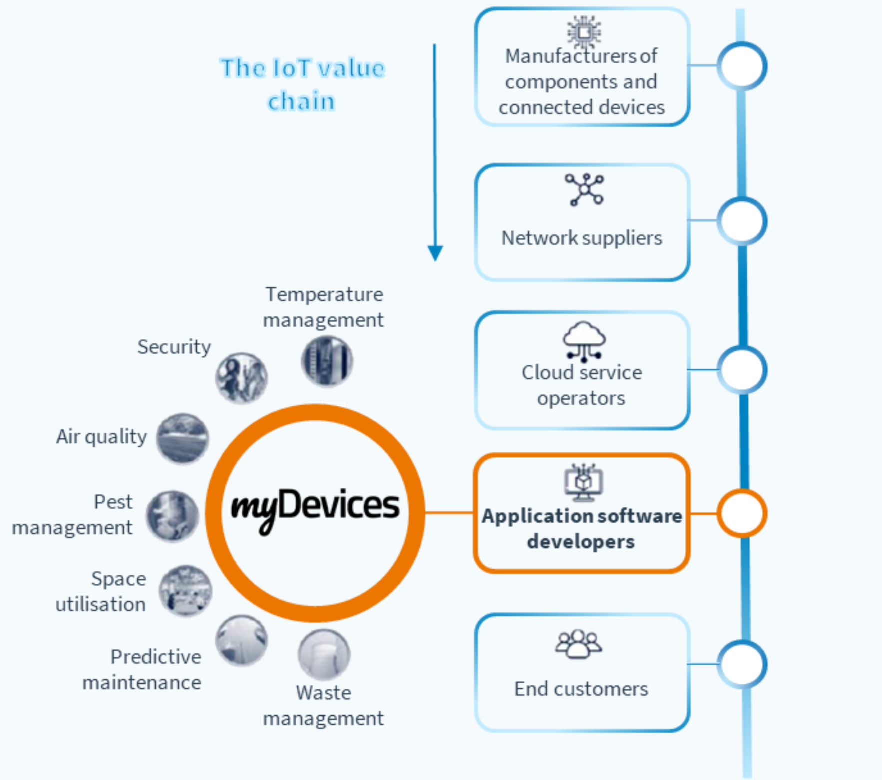
myDevices in the IoT value chain

The IoT value chain is complex, with a rich and diversified ecosystem of players. The market structure can, nonetheless, be broken down schematically, into four main types of player: 1) those specialising in the design and manufacture of physical equipment (connected devices, sensors, memory cards, embedded software, etc.); 2) operators of networks used to connect devices to the Internet; 3) cloud operators storing and processing raw data on the Internet; and finally 4) suppliers of software interfaces enabling different devices to communicate and processing data to meet the specific needs of end users.

With the development of its myDevices platform, the group's IoT segment falls into the software interface supplier for B2B markets category, as shown in Chart 24.

Within this category of players, the IoT segment stands out for its open approach and the level of interoperability offered by its platform. These two strategic characteristics seek to establish the myDevices platform as the benchmark IoT software for companies, by removing barriers to the development and mass adoption of IoT solutions (control of proprietary solutions, migration costs, inability to satisfy the wide range of business requirements, etc.).

Chart 24: myDevices in the IoT value chain



Sources: Claranova, Kepler Cheuvreux

Three activities, three sectors

As a hybrid technology player, Claranova is exposed to several underlying markets, namely: 1) the photo printing/personalised e-commerce markets through PlanetArt; 2) the digital document (PDF), cyber safety and photo edition software markets via Avanquest; and 3) the IoT management platform market through myDevices.

PlanetArt is mostly exposed to the global photo printing industry, while it recently expanded its footprint to the broader personalised e-commerce market with the acquisitions of Personal Creations (2019), CafePress (2020), and I See Me! (2021). Bear in mind that the global photo printing industry reached a size of c. USD19bn in 2021 and is expected to post a c. 6% CAGR over 2021-26E, fuelled by the less mature and more fragmented mobile-to-print segment.

This segment should continue to fuel sector growth in the years to come, surfing on increasing smartphone adoption and easy-to-use applications. On its side, the mass customisation market is larger (c. USD31.5m in 2021) and more dynamic and is expected to grow at a c. 9.5% CAGR over the same period. Overall, players that have already shifted to mobile and that have extended their offer to personalised products should outperform the overall photo printing market in the coming years.

Avanquest is mainly impacted by digital document (PDF; TAM 2021: USD7.5bn; TAM 2024: USD34bn; 2021-24 CAGR: +62%), cyber safety (TAM 2020: USD13bn; TAM 2023: USD16bn; 2021-23 CAGR: +5-10%), and photo edition software (TAM 2020: USD770m; TAM 2027: USD1.3bn; 2020-27 CAGR: +6.4%). The group has decided to refocus on high-growth markets where demand is sticky, while trying to differentiate itself by offering easy-to-use, and cheaper products than the market leaders (e.g. Acrobat, Norton, and Photoshop).

Finally, myDevices' underlying market (IoT management platform) is clearly untapped. According to market data compiled by IDC, Gartner, ABI Research, IOT Analytics, and BCG, this industry reached a size of c. USD1.2bn in 2021 and should grow at a 2021-25 CAGR of about 28.8%, fuelled by both the adoption of smart devices and the increase in demand for the open IoT platforms. Interestingly, myDevices' differentiation resides in its open platform that is able to integrate a multitude of devices – recurring demand from IT and business services firms – and its ability to be deployed for any industry.

PlanetArt can rely on a solid global photo printing and personalised e-commerce market

Global photo printing industry worth USD19bn

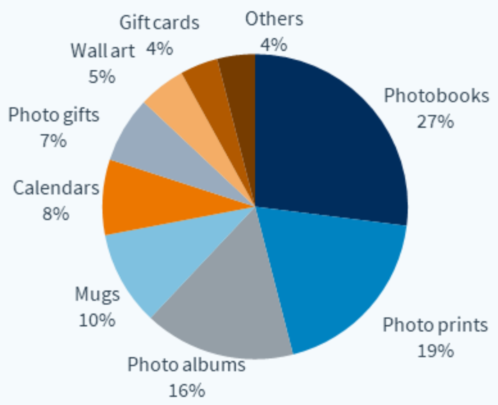
PlanetArt is mostly exposed to the global photo printing industry. This market was estimated to be worth USD19bn in 2021 according to Data Intelo, a Californian market research firm.

Basically, the overall market can be divided into six main product categories, representing c. 90% of the overall industry: 1) Photobooks (27%); 2) Photo prints (19%); 3) Photo albums (16%); 4) Mugs (10%); 5) Calendars (8%); and 6) Photo gifts (7%).

Geographically, the US is the largest market with c. 39% market share, while Europe accounts for c. 28%. APAC (21%), Latin America (7%) and the Middle East & Africa (5%) complete the picture. Unsurprisingly, the activity is concentrated in Europe and North America, where: 1) purchasing power is high enough to pay for these kinds of products; and 2) everybody has one or more smartphones.

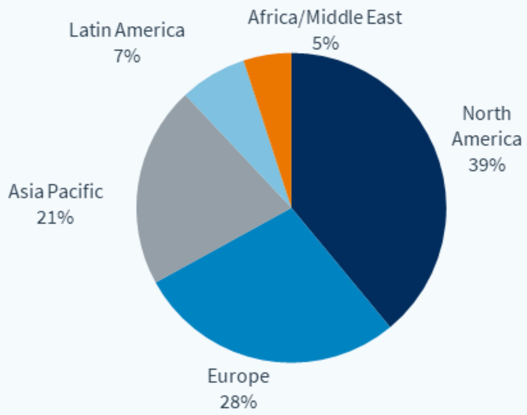
In the following charts, we provide a product and geographical overview of the overall market at the end of 2021.

Chart 25: Global photo printing market by product category, 2021



Sources: Data Intelo, Kepler Cheuvreux

Chart 26: Global photo printing market by region, 2021



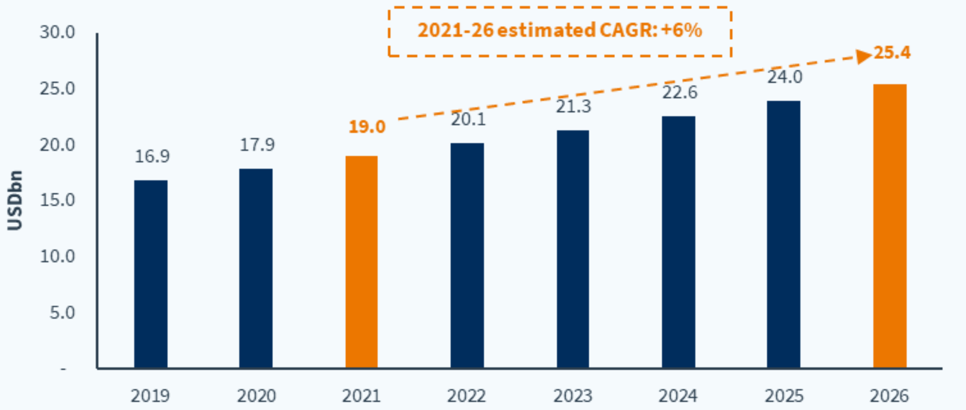
Sources: Data Intelo, Kepler Cheuvreux

Looking ahead, the global photo printing market is expected to reach USD25.4bn by 2026, posting a CAGR of c. 6% over 2021-26E.

Widespread utilisation of smartphones and tablets in place of professional cameras to click and process high-resolution images is driving the market growth. These portable devices offer enhanced flexibility and customisability to the photo editors, thereby enabling them to provide innovative printing solutions to the consumers.

Additionally, various technological advances, such as the development of lenticular printing for high-definition prints, are acting as other growth-inducing factors. It is widely used for creating 3D prints with an illusion of depth. Other factors, including increasing consumer expenditure capacities, along with the proliferation of social media platforms and e-commerce retail channels, are expected to drive the market further.

Chart 27: Global photo printing market expectations, 2019-26



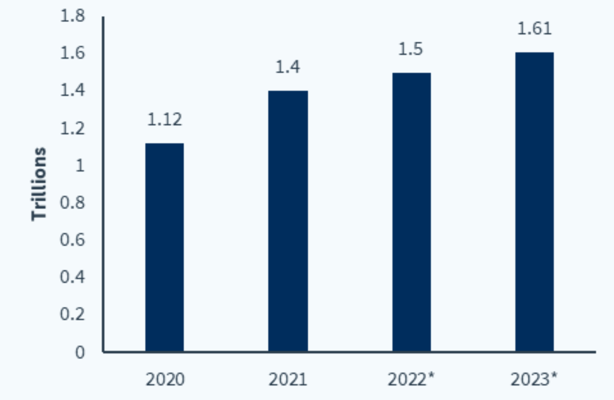
*Expected; Sources: Data Intelo, Kepler Cheuvreux

All in all, we see three major drivers for the photo printing industry in the next few years:

- The constant increase in the number of photos taken worldwide, particularly with smartphones.

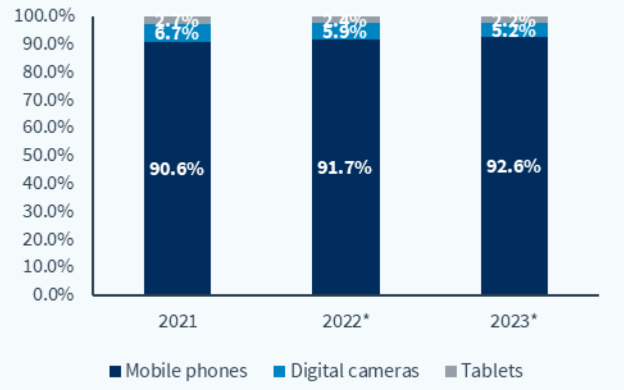
According to Rise Above Research, a consulting firm that provides market research for the digital imaging industry, a total of 1.4trn photos were taken in 2021 (vs. 1.12trn in 2020), and number of 1.5trn can be expected for 2022.

Chart 28: Total number of photos taken worldwide, 2020-23



*Expected; Sources: Rise Above Research, Kepler Cheuvreux

Chart 29: Photo taken by device, 2020-23



*Expected; Sources: Rise Above Research, Kepler Cheuvreux

- The shift towards the mobile-to-print channel, with more convenient apps for end-users. Mobile apps have already command c. 40% of the market share (vs. c. 60% for the desktop websites), and this shift should continue in the years to come, fuelled by a high equipment rate, more photos taken with smartphones and the better quality of these photos thanks to technological innovations.
- The relentless desire to have a tangible object. Social networks are immaterial, and their emotional impact can be lower than that of a printed photo.

Interestingly, the current penetration rate for on-demand photo printing is still low in developed countries, especially compared to the current smartphone penetration rate of c. 80% in North America (c. 83% according to Statista) and Europe (c. 78%).

Taking an estimated 45m of active users of on-demand printing and a total of 389m households in North America (US: 128m; Canada: 10m) and Europe (251m), this would translate to a c. 12% penetration rate.

We clearly see huge potential for increasing the reach of on-demand photo printing platforms.

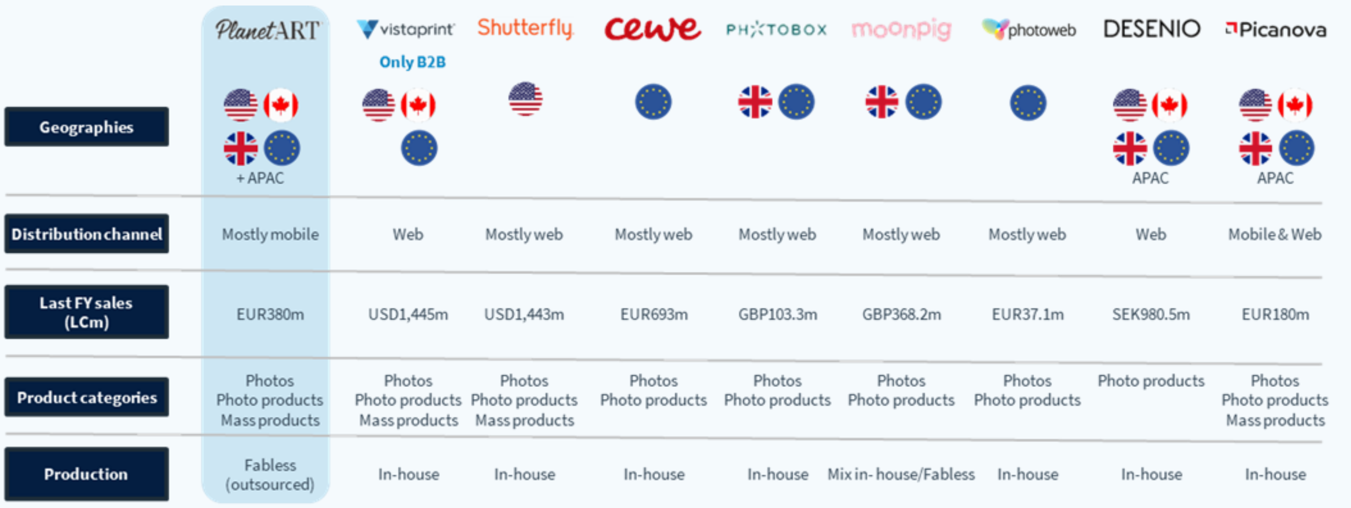
A more fragmented market with the shift towards mobile-to-print

Before the market shift towards mobile-to-print, the photo printing industry was mostly dominated by web-to-print companies like Shutterfly and CEWE. Nevertheless, with social networks and smartphones taking the lead of the photo world, mobile-app native and blended players such as PlanetArt, Picanova or CEWE (with Cheerz) have gained in importance over the years.

Interestingly, these companies have been able to outpace the market growth rate over the past few years (high single-digit or double-digit growth), while website players have suffered (low single-digit growth).

Bear in mind that the web-to-print market is quite mature and concentrated already, with just a few players dominating the industry (Cimpress with Vistaprint, Shutterfly, CEWE and Photobox), while the mobile-to-print market is less mature and more fragmented with recent new entrants such as PlanetArt. This segment should continue to fuel the sector growth in the years to come, surfing on increasing smartphone adoption and easy-to-use applications.

Chart 30: Competitive overview of the photo printing industry

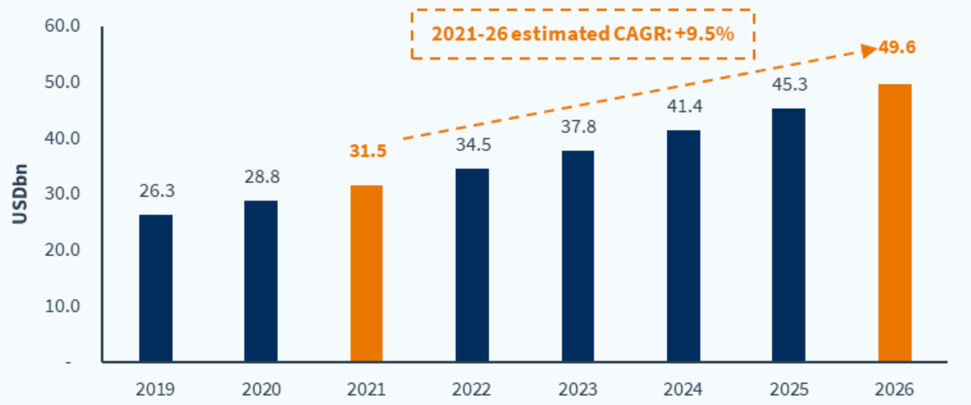


	PlanetART	vistaprint Only B2B	Shutterfly	cewe	PHOTOBOX	moonpig	photoweb	DESENIO	Picanova
Geographies	+ APAC							APAC	APAC
Distribution channel	Mostly mobile	Web	Mostly web	Mostly web	Mostly web	Mostly web	Mostly web	Web	Mobile & Web
Last FY sales (LCm)	EUR380m	USD1,445m	USD1,443m	EUR693m	GBP103.3m	GBP368.2m	EUR37.1m	SEK980.5m	EUR180m
Product categories	Photos Photo products Mass products	Photos Photo products Mass products	Photos Photo products Mass products	Photos Photo products	Photos Photo products	Photos Photo products	Photos Photo products	Photo products	Photos Photo products Mass products
Production	Fabless (outsourced)	In-house	In-house	In-house	In-house	Mix in-house/Fabless	In-house	In-house	In-house

Sources: Reuters, respective companies, Kepler Cheuvreux

The personalised gift market is also quite interesting as it is twice as large as the photo market and has multiple synergies with the photo printing industry (switch to mobile, pooling the customer base, etc.). Indeed, personalised products require almost the same production/printing set-up as for photo printing, and therefore represent an attractive way for native photo-printing companies to diversify. According to Data Intelo, the personalised gifts market was valued at c. USD31.5bn in 2021 and is expected to reach USD49.6bn in 2026, growing almost twice as fast as the global photo market (CAGR 2021-26 of 9.5% vs. 6% respectively).

Chart 31: Global personalised gifts market expectations, 2019-26



*Expected; Sources: Data Intelo; Kepler Cheuvreux

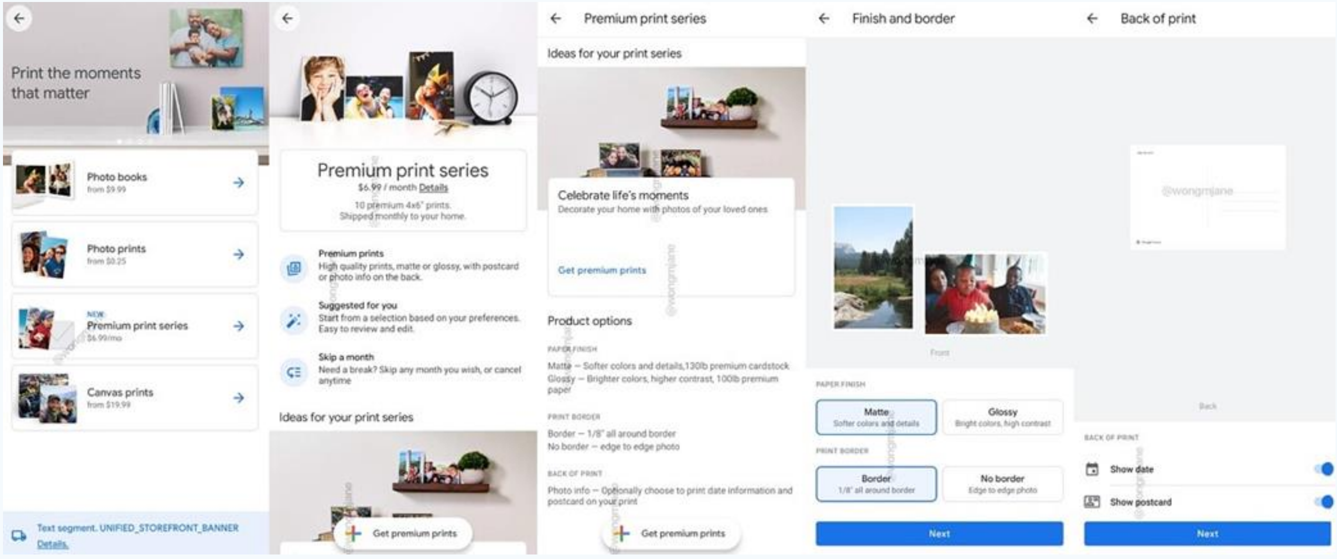
All in all, players that have already shifted to mobile and that have extended their offer to personalised products should outperform the overall photo printing market in the coming years.

Competitive landscape extended to GAFAs? Not really strategic for now

Do the "GAFAs" (Google (Alphabet), Amazon, Facebook (Meta), and Apple) pose a serious threat to the photo printing industry? This is a pertinent question, as they are already present in the photo storage business, they have the financial leeway to enter this market, and have an important customer base. That said, they have not really disrupted this segment so far.

Google (c. 1bn user base) launched its Google Photo Prints app in the US in 2019, but the service has not been a great success. The group also launched Google Photo Books, Canvas Prints and Premium Prints, a USD6.99 monthly subscription service to get premium print series from Google Photos. Google tried to advertise its offer on its app portal, but it did not get much traction. More importantly, in our view its photo business could have been hampered by the conversion of its photo storage activity into a fee-based service from June 2021.

Chart 32: Google Photo Prints app features



Sources: Google Photos, Kepler Cheuvreux

As for Amazon (c. 200m Prime user base), the e-commerce giant launched Amazon Prints in North America in 2017, offering free shipping costs for Amazon Prime members. However, this activity has remained embryonic since then, with no geographical expansion or particular advertising efforts.

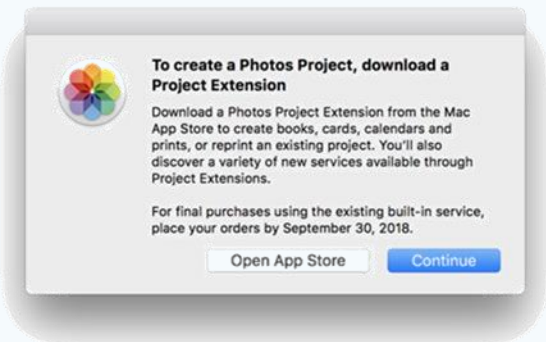
Finally, Apple (c. 700m subscribers to Apple One, including Apple Music, TV+, Arcade and iCloud) launched its photo printing activity in the US and Europe more than twenty years ago (2002), but discontinued it in September 2018. The service expanded from simple prints, to albums, photo books, and calendars.

It still appeared on the Mac when iPhoto was replaced by the Photos app in 2015, but the service never made the leap to iOS. Apple's recommendation is that customers download a third-party app that includes a Photos Projects extension. This API was introduced in High Sierra, and allows photo services to integrate photo printing UI inside the Apple Photos app. Payment processing and printing are all handled by third parties. Services that support Photos Projects include Mimeo Photos, Wix, GoodTimes, WhiteWall and Shutterfly.

Chart 33: Amazon Prints flyer

Sources: Amazon Prints, Kepler Cheuvreux

Chart 34: Apple discontinued its photo printing activity in September 2018



Sources: Apple Prints, Kepler Cheuvreux

Bottom line, we think the GAFAs have not really put a lot of money in their respective printing business to develop a pertinent offering in their whole business model. Clearly, developing printing contracts with suppliers and delivering a small number of photos to end-customers is not an easy task. So far, storage seems to be their main strategic focus.

That said, PlanetArt could be a plausible target for them if they really want to penetrate the photo printing market.

Avanquest's markets are digital documents, cyber safety, and photo edition software

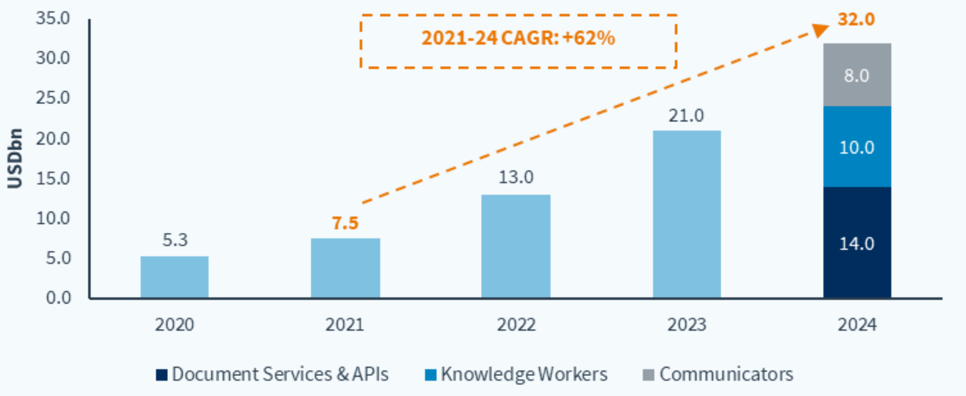
Digital document software to yield a TAM of c. USD32bn in 2024E

At its last analyst presentation in December 2021, Adobe estimated that the total addressable market (TAM) for Document Cloud services should amount to c. USD32bn in 2024 (vs. USD7.5bn in 2021), i.e. a 2021-24 CAGR of c. 62%.

Three main drivers should fuel growth in the coming years:

- New mobile users.
- Cloud services (scan, edit, collaborate, sign).
- The paper-to-digital transformation, including eSignatures.

Chart 35 : Digital document software addressable market, 2020-24



Sources: Adobe, Kepler Cheuvreux

Within this market, Avanquest's two brands, Soda PDF and PDF escape, are second-tier players, behind Adobe Acrobat. They could be compared to Foxit PDF and Nitro PDF. Nitro PDF could be considered a close peer of Avanquest. It is approximately the same size and offers similar software. That said, while Nitro PDF is striving to create a strong brand image (an expensive strategy), Avanquest is more focused on client acquisition.

Third-tier players include PDF element (from Wondershare, China), PDF Filler (US/Ukraine), ABBYY FineReader (US/Russia), Small PDF (Switzerland), Qoppa PDF Studio (US), Readdle PDF Expert (US), PDF Creator (from PDF Forge, Germany), RAD PDF (from Red Software, US), PDF Candy, PDF Complete (US), and open-source tools like Apache PDF Box and XPDF Reader.

Cyber safety software market to represent a TAM of c. USD16bn in 2023E

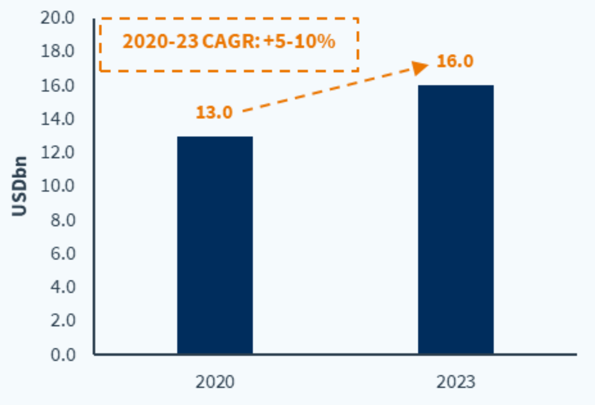
At its last investor day in May 2021, Norton indicated that the global core cyber safety market was worth c. USD13+bn and is poised to grow to USD16+bn in 2023, at a 5-10% CAGR. Interestingly, this market is still massively underpenetrated. Out of 5bn global internet users, less than 250m are paid customers, equivalent to a <5% penetration rate.

Two main drivers should fuel growth in the coming years:

- The increasingly digital & connected world, encompassing shopping & e-commerce, digital wallet & online banking, remote working, connected home & content streaming, distance learning, family & socialising, and telehealth.

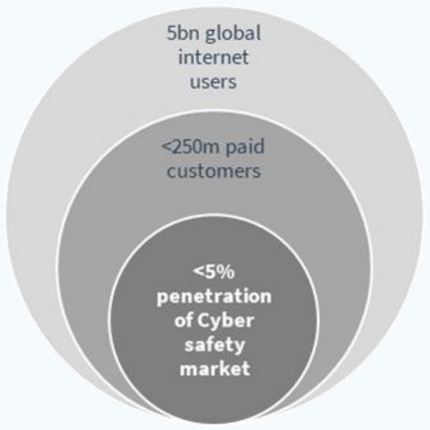
- The rise of cyber criminality, due to more activities, expanded reach and the dark economy.

Chart 36: Cyber safety software addressable market (core market), 2020-23



Sources: Norton, Kepler Cheuvreux

Chart 37: Cyber safety still massively underpenetrated



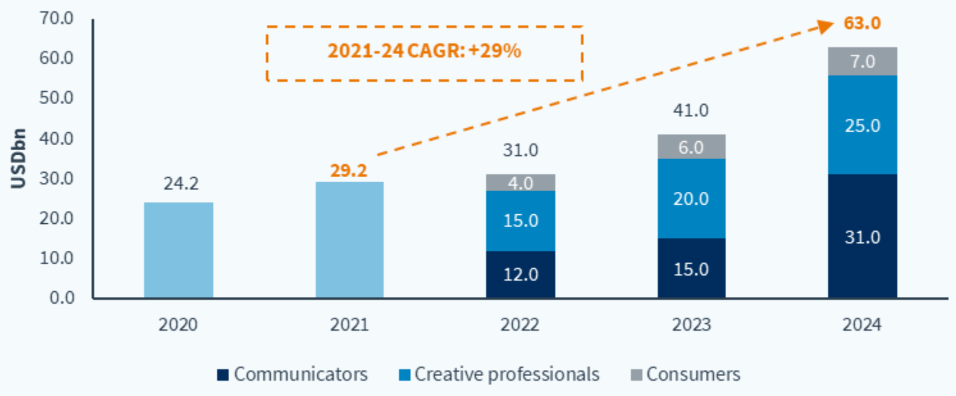
Sources: Norton, Kepler Cheuvreux

Within this market, Adaware is a third-tier player, comparable to AdBlock (US), Malwarebytes (US), Avast CCleaner (UK), ClamWin Free Antivirus (Australia) and Dr. Web (Russia). Note that McAfee (US), Norton (US)and Trend Micro (Japan) are the leaders, while Avast (Czech Republic), F-Secure (Finland), Bitdefender (Romania) are among the most well-known second-tier players.

Photo editing software market to represent a TAM of USD1.3bn in 2027E

At its last analyst presentation in December 2021, Adobe estimated that the total addressable market for Creative Cloud services should amount to c. USD63bn in 2024, of which USD31bn from Communicators, USD25bn from Creative professionals and USD7bn from Consumers (vs. USD29.2bn in 2021, and USD24.2bn in 2020), i.e. a 2021-24 CAGR of c. 29%.

Chart 38: Creative Cloud total addressable market, 2020-24



Sources: Adobe, Kepler Cheuvreux

Note that the Creative Cloud market is large and include photography, video, design, web, UX, and social media. According to The Insight Partners, the photo editing software industry is smaller and was valued at c. USD770m in 2020 and is projected to reach USD1.3bn by 2027, implying a 2020-27 CAGR of 6.4%.

The three main drivers of the Photo editing software markets are:

- The use of computational algorithms in Photo Editing Software. The increasing use of computational photography along with the assistance of algorithm in photo editing software is sharply enhancing the pixels which is leading to further upgrades of the photo editing software.

- The integration of augmented and virtual reality in Photo Editing. The integration of augmented reality and virtual reality in photo editing is also allowing users to add more realistic effects to the image captured and make it more appealing.
- The presence of facial recognition technology. The presence of facial/object recognition technology is revolutionising the photo editing software. This technology is providing more innovative editing solutions such as the “bokeh” effect (the aesthetic quality of the blur produced in out-of-focus parts of the photo), which is enhancing the use of photo editing software, and making it more suitable and impressive for users.

That said, Consumer (individuals, non-professionals), the focus of Avanquest, is the smallest market segment (c. 20%) and it should grow at a slightly slower pace (c. 5% over the period).

In the photo edition software market, inPixio is one of the third-tier players, with the leaders being Adobe Photoshop/Lightroom (US) and Corel PaintShop Pro/Painter/Photo-Paint (Canada). Other second/third-tier players include Skylum Luminar/Aurora HDR (US/Ukraine), Inmagine Pixlr Editor (UK/Sweden), Canvas Photo Editor (UK), MOOII PhotoScape (Korea), ACDSee Photo Studio (US/Canada), Serif Affinity Photo (UK), Anthropics PortraitPro/LandscapePro (UK), DxO PhotoLab (France), Phase One Capture One (Denmark), Fotografix, Fotor (China/UK), ON1 Photo Raw (US), Snappa (Canada), Zoner Photo Studio (US/Czech Republic), Topaz Studio (US), Photo POS Pro (US), Photopea (Czech Republic), and open source software (GIMP, GIMPshop, Raw Therapee).

myDevices’s underlying market (IoT management platform) is clearly untapped

A significant untapped market…
The IoT platform market is a bridge between the services and applications that are connected with the real world. The rapid increase in the use of internet and fast connectivity speeds have fuelled the rise of the global IoT platform market. It helps in monitoring, evaluating and controlling the main network connectivity. IoT integrates technologies such as data storage, data communication, hardware design and mining which help organisations in their decision-making, and offer high convenience, improved handling of emergencies, cost benefits, remote access and improvements in safety & security.

According to market data compiled by IDC, Gartner, ABI Research, IOT Analytics and BCG, this industry had reached a size of c. USD1.2bn in 2021, and it is expected to grow at a 2021-25 CAGR of about 28.8%.

Key drivers include:

The adoption of smart devices
Smart devices are an essential factor due to the rising rate of adoption. Additionally, the easy implementation and cost-efficient cloud data storage features are expected to expedite the development of the entire IoT cloud platform market.

Chart 39: Number of IoT connected devices expected worldwide by 2025

Sources: Statista, Kepler Cheuvreux

Increasing demand for the open IoT platforms…

Attributes that could pave the way for the rise of the loT market include an increase in demand for the open loT platforms, which have provided open-source codes to the public to allow for modifications of the original design. Another important factor is the increasing use of smart devices such as smartphones and tablets. People have also started adopting the platform because it is efficient and cost-effective.

Covid has also played a role. Millions of electronic devices were installed across the globe during the pandemic for various applications such as environmental monitoring, healthcare, VPN networking, and work-from-home setup. IoT cloud platforms play a vital role in joining these devices to the internet.

Thus, the IoT cloud platform market had a positive impact across the world during the pandemic. It has also forced governments, organisations, and individuals to change their priorities, views on ethical issues, and their operations. Consequently, many organisations have increased their investments in IoT and the pace of their IoT projects. The fight against Covid has resulted in a much less strict policy when it comes to privacy issues, higher trust in technology, and fast-tracked approval procedures.

That said, the increase in data security and privacy concerns for end-users has represented the main constraint so far, which in turn has hindered the market development.

…and still fragmented

This industry is really young and therefore still very fragmented. For the record, PTC is the market leader, with 14% market share according to its last Investor Day presentation in December 2021. We believe the pie is big enough for a multitude of players, as the market is still in its early stages.

Being fragmented, this market is highly competitive. Indeed, Claranova has a number of large competitors (PTC, Atos, IBM, Software AG) who are seeking to position themselves in this buoyant emerging market, each with their own specific approach (custom products, services, etc.) and considerable financial resources. Given all of the potential end-usages, the market is likely to stay fragmented in the years to come.

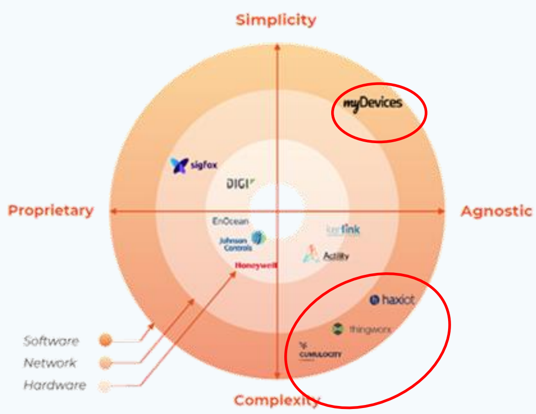
As shown in Chart 40, market leaders are PTC, Microsoft, Hitachi and Software AG, while the rest are niche players (Litmus, Altizon, Flutura, QiO Technologies, ROOTCLOUD, Davra, Braincube, Eurotech). Note that large IT, capital goods or telecom companies such as AWS, Samsung SDS, IBM, Oracle and GE digital have also entered the market, but they are still niche players.

myDevices' major competitors in the IoT platform market are Cumulocity IoT (acquired by Software AG in 2017; revenues of EUR4.3m), thingworx (acquired by PTC in 2014; revenues between EUR4-6m) and haxiot (acquired by DIGI in 2021; revenues undisclosed).

Chart 40: A very fragmented market, PTC leading it

Sources: Gartner, Kepler Cheuvreux

Chart 41: myDevices' major competitors (IoT platforms)



Sources: Claranova, Kepler Cheuvreux

Interestingly, myDevices' main source of differentiation is its open platform that is able to integrate a multitude of devices – a recurring demand from IT or business services firms – and its ability to be deployed for any industry. In addition, due to its architecture and its positioning, myDevices is more suitable for the needs of buildings, hotels and restaurants than for factory shop floors.

Deconstructing the forecasts

Claranova has built up a strong track record for growth, with revenues increasing at a 28% CAGR since 2013/14 (+19% LFL), and it has consistently outpaced the competition over the past few years in its two main divisions: 1) PlanetArt; and 2) Avanquest. All of this growth has been mainly driven by PlanetArt (81% of sales in FY 2020/21) and Avanquest (19%), while myDevices' performance (1%) has been more erratic, which can be explained by its PaaS business model and the fact that the IoT market is still in its infancy.

Claranova's future growth (8.4% CAGR over 2020/21 to 2025/26E) should be mainly driven by Avanquest in the short term, while we expect myDevices, the IoT activity, to take off later on (from FY 2022/23E). On the other hand, we foresee a normalisation in Claranova's main division, PlanetArt, after a tremendous pace of growth over the last three years, helped by the launch of new products and the pandemic. Bear in mind that visibility in the short term is hampered by Apple's new App Tracking Transparency (ATT).

Overall, we see PlanetArt posting a 6.7% LFL revenue CAGR over 2020/21 to 2025/26E, still outperforming the photo printing market, fuelled by an increase in FreePrints' conversion rate and diversification towards the more dynamic mass customisation industry. We believe Avanquest will fully benefit from the underlying trends in its three markets (PDF, Security, Photo) now that its transition towards SaaS/subscription has been completed, while further decreasing its third-party software and physical distribution exposure.

We forecast a c. 13.1% sales CAGR over 2021/22E to 2025/26E (including the PDF Forge acquisition), in line with best-in-class players in the sector, given its holistic approach, with the objective of controlling the entire value chain: from generating traffic to monetisation and conversion to its SaaS solutions. Eventually, for myDevices, we expect a 35.9% LFL sales CAGR over 2021/22E to 2025/26E, as FY 2021/22E should be penalised by the non-recurring items recognised in the previous year, while we consider a 40-50% run-rate to be sustainable in a normalised environment and see strong commercial momentum from existing and new partners.

Regarding profitability, we expect Claranova's EBITDA margin to gradually improve to 11.2% in 2025/26E (vs. 7.2% in FY 2020/21), thanks to a more favourable product mix at PlanetArt and Avanquest, and operational efficiency gains. Regarding myDevices, we expect this division to break even in FY 2025/26E, when it reaches a critical size.

Note that we forecast adjusted EBITDA of EUR49m in FY 2022/23E, yielding a margin of 9%, lower than management's guidance (>10% adj. EBITDA margin), given our lower revenue base (no M&A contribution taken) and an induced lower operating leverage. The group's EPS has been constantly increasing over the past few years and has remained in the black since FY 2019/20. We believe Claranova will generate double-digit EPS growth over the coming years and have modelled a 22% EPS CAGR over 2020/21 to 25/26E.

Finally, we expect a continuous improvement in FCF generation, especially from FY 2022/23E, on the back of a solid activity level, increasing margins, and the company's business model, characterised by a structurally negative WCR and low capex. Bear in mind that by nature Claranova's business is not capital-intensive, and the group does not need to invest in growth capex to generate higher growth levels than it had in the past, which should further strengthen its balance sheet.

Q3 2021/22 trading update (10/05/22) and H1 results (30/03/2022)

Steady momentum in 9M 2021/22 (end-March)

Claranova published its Q3 2021/22 trading update (January-March) on 10 May. It reported revenues of EUR91m, down 5% YOY and 14% LFL.

There has been no real change in momentum in Q3, and essentially the numbers confirmed the trends already observed in H1.

PlanetArt, the group's main division is still being impacted by the recent introduction of Apple's App Tracking Transparency feature and the company is still working on other customer acquisition channels to counter this. Note that there has been some improvement on the marketing side, even if this is not really visible yet due the very high comparison basis (+45% in Q3 2020/21 for PlanetArt). That said, Q4 should mark an inflection point, with a return to growth, thanks to new marketing initiatives starting to bear fruit and Facebook's upcoming updates.

On its side, Avanquest has kept up its good pace, with gains in recurring revenues (including new subscription and renewals), which reached 63% of Avanquest's total revenues at the end of Q3 (vs. 60% in Q3 2020/21).

Finally, myDevices has continued to display good growth momentum, notably driven by growth in new corporate subscribers to the myDevices platform, even if this platform is still makes up only a marginal portion of the mix. Interestingly, annual recurring revenues reached EUR2.2m at the end of Q3, up 87% YOY compared to the same period last year.

We summarise Claranova's Q3 and 9M 2021/22 revenues by division below.

Table 4: Claranova's Q3 2021/22 revenue (January-March)

EURm	Q3 2021/22	Q3 2020/21	% change YOY	% change at constant currency	% change at constant perimeter	% change LFL
PlanetArt	64	72	-12%	-19%	-14%	-21%
Avanquest	26	23	13%	7%	13%	7%
myDevices	1.2	0.8	45%	36%	45%	36%
Total group revenue	**91**	**96**	**-5%**	**-12%**	**-7%**	**-14%**

Sources: Claranova, Kepler Cheuvreux

Table 5: Claranova's 9M 2021/22 revenue (July-March)

EURm	9M 2021/22	9M 2020/21	% change YOY	% change at constant currency	% change at constant perimeter	% change LFL
PlanetArt	291	306	-5%	-9%	-9%	-12%
Avanquest	77	65	19%	14%	19%	14%
myDevices	3.5	3.0	16%	12%	16%	12%
Total group revenue	**371**	**373**	**-1%**	**-5%**	**-4%**	**-8%**

Sources: Claranova, Kepler Cheuvreux

As a side note, we would mention the resignation of Jean-Yves Quentel from his position as CFO, however we do not consider this to be an important headwind as he has only been at the company for two years. He will remain in place to guide his successor during the transition period, and we are still waiting for the name of his replacement to be given.

Reminder of profitability levels in H1 2021/22 (July-December 2021)

In H1 2021/22, Claranova managed to stabilise its earnings despite the unfavourable exogenous factors, particularly for PlanetArt, impacted by the combined effects of the end of lockdown measures, supply chain constraints that continued during the year-end holiday season and a structural transformation in customer acquisition channels.

On its side, Avanquest continued to benefit from its move to a SaaS subscription-based model, boosting both growth and profitability.

Finally, myDevices took advantage of the improved Covid-19 situation to accelerate commercial deployments and expand its network of channel partners.

We summarise below Claranova's EBITDA breakdown by division in H1 2021/22.

Table 6: Claranova's EBITDA breakdown by division

EURm	H1 2021/22	H1 2020/21	% change YOY
PlanetArt	**17**	**19**	**-11%**
EBITDA margin	*7.6%*	*8.3%*	*-0.7pp*
Avanquest	**8**	**5**	**56%**
EBITDA margin	*14.7%*	*11.5%*	*3.2pps*
myDevices	**-2**	**-1**	**63%**
EBITDA margin	*-72.2%*	*-46.5%*	*-25.7pps*
Total EBITDA group	**23**	**23**	**-**
EBITDA margin	*8.2%*	*8.3%*	*0.1pp*

Sources: Claranova, Kepler Cheuvreux

Overall, Claranova has somewhat proven its resilience in H1 2021/22 thanks to its diversified approach; Avanquest taking over PlanetArt this semester. Bear in mind that the growth potential is still here at PlanetArt, but management clearly chose profitability over revenue growth. While they are currently working on new marketing initiatives to bypass the new Apple Privacy Policy, they do not want to overpay to acquire clients.

Sales medium-term outlook postponed by one year (from FY 2022/23 to FY 2023/24); EBITDA margin reiterated for FY 2022/23

Note that Claranova does not provide any guidance for the current exercise, but rather a medium-term guidance, generally over a c. three-year horizon.

Recall that in March 2019, Claranova provided FY 2022/23 sales guidance of "at least EUR600m" which included a contribution from M&A and which was later upgraded to EUR700m in October 2019. On profitability, management targets an EBITDA adjusted margin >10% in FY 2022/23.

As we expected, the group revised down its guidance on its H1 2021/22 results (30 March), shifting its EUR700m sales target by one year to FY 2023/24. Management nevertheless confirmed its profitability objective of an EBITDA margin >10% in FY 2022/23. We clearly understand that the company wants to focus on profitability rather than revenue growth, and do not want to significantly increase its client acquisition costs in the short-term.

We summarise below Claranova's main metrics in H1 2021/22.

Table 7: H1 2021/22 summary results

EURm	H1 2021/22	H1 2020/21	% change YOY
Revenue	**281.0**	**278.0**	**1%**
EBITDA	**23.0**	**23.0**	**-**
EBITDA margin	*8%*	*8%*	*-10%*
Recurring EBIT	**20.0**	**21.0**	**-4%**
Net income	**4.0**	**11.0**	**-59%**
Cash flow from operations	**52.0**	**40.0**	**31%**
o/w Cash flow from operations before changes in WCR	*22.0*	*23.0*	*-3%*
Net debt/(Net cash)	**-2.0**	**-25.0**	**-**

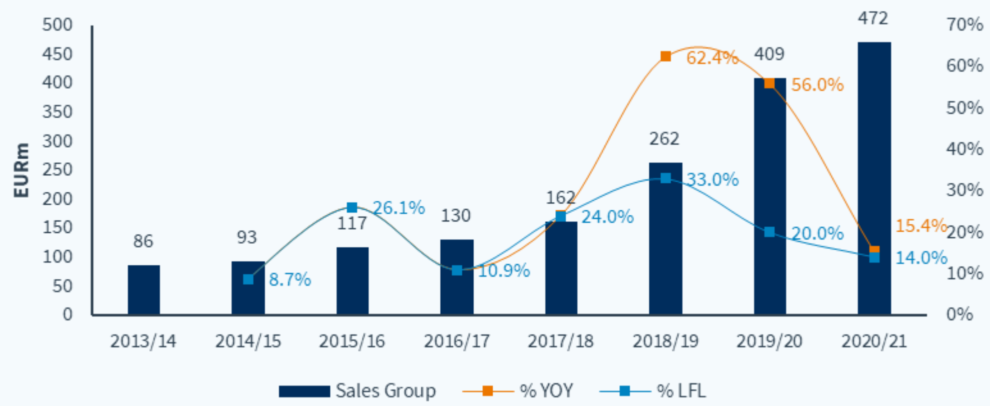
Sources: Claranova, Kepler Cheuvreux

We expect Claranova to post an 8.4% sales CAGR over 2020/21-2025/26E

Solid track record for growth and market outperformance

Claranova has built up a strong track record for growth, with revenues increasing at a 28% CAGR since 2013/14 (+19% LFL; Chart 42), and it has consistently outpaced the competition over the past few years in its two main divisions: 1) PlanetArt; and 2) Avanquest.

Chart 42: Claranova group's sales and YOY growth since FY 2013/14

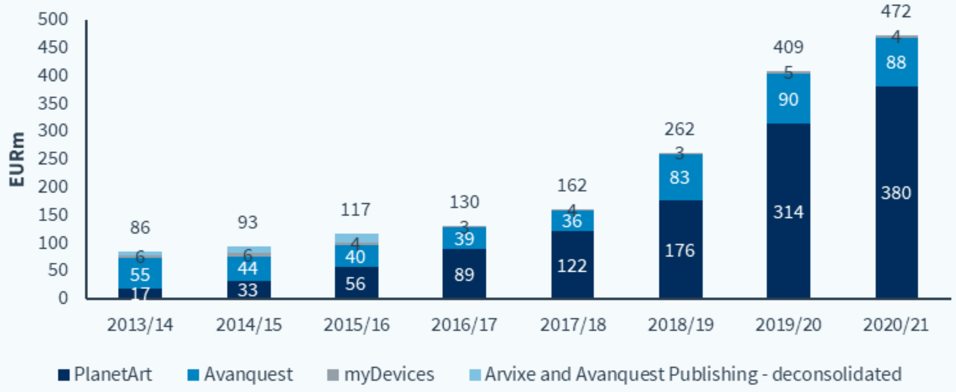


Sources: Claranova, Kepler Cheuvreux

All of this growth has been mainly driven by PlanetArt (81% of sales in FY 2020/21) and Avanquest (19%), while myDevices' performance (1%) has been more erratic, which can be explained by its PaaS business model and the fact that the IoT market is still in its infancy.

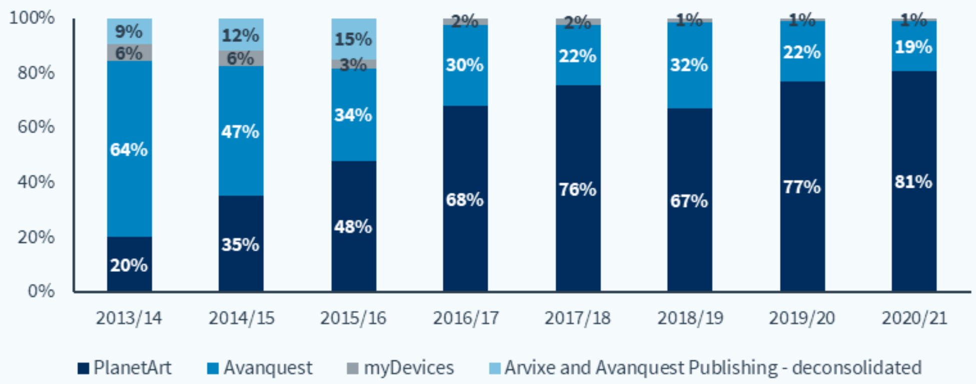
We present below Claranova's growth track record by division since FY 2013/14, and the breakdown by division, showing the increasing weight of PlanetArt and the stabilisation of Avanquest, given its recent shift towards a SaaS model.

Chart 43: Claranova's growth track record by division since FY 2013/14



Sources: Claranova, Kepler Cheuvreux

Chart 44: Evolution of revenue breakdown since FY 2013/14

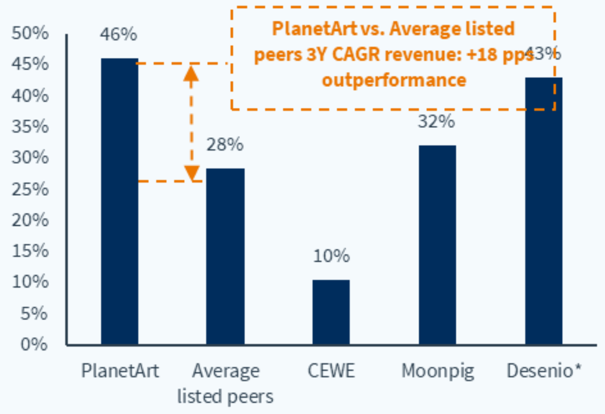


Sources: Claranova, Kepler Cheuvreux

Over the past three years, PlanetArt has outperformed its three listed peers by 18pps on average (Chart 45); while Avanquest has always been at the top end of the revenue growth range posted by its listed competitors since its transformation, except for the Photo software publishing unit (Chart 46).

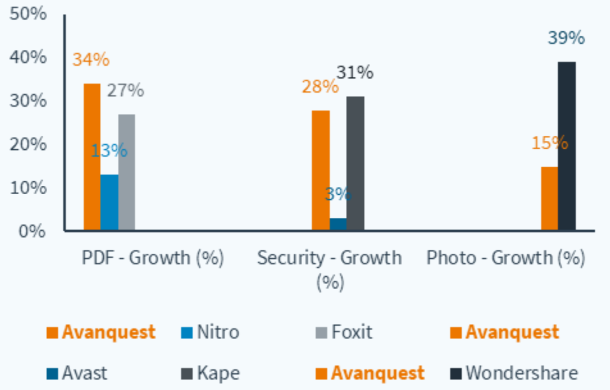
Plus, it is worth noting that Moonpig's numbers do not reflect the normalisation of the Covid situation in 2021 (FY 2020/21, end of April), while most Desenio's growth is inorganic. Finally, regarding Avanquest, bear in mind that Kape's growth has been mainly driven by M&A, which distort somewhat our comparison in the Security segment.

Chart 45: PlanetArt vs. listed peers, last 3Y revenue CAGR



*2Y revenue CAGR as Desenio is listed since February 2021; Source: Kepler Cheuvreux

Chart 46: Avanquest's revenue performance vs. listed peers by category (PDF, Security, Photo), last FY reporting



Sources: Claranova, Kepler Cheuvreux

myDevices, the last division of the group, which was launched in 2015 (it was only a business selling connected objects such as cameras in FY 2013/14), is still very small and has only generated modest revenues since its inception. Industry-wise, the IoT market is very young and has suffered from a lack of standardisation and integration between the different networks, stakeholders and connected devices. Note that Covid has not helped, delaying IoT projects in an uncertain environment. From a bottom-up standpoint, myDevices is a two-layer business, and new contracts/partnerships do not guarantee wide market adoption, which could explain the still moderate contribution of this activity.

Avanquest and myDevices to fuel top-line growth; PlanetArt to normalise

Claranova's future growth should be driven mainly by Avanquest in the short term; while we expect myDevices, the IoT activity, to take off later on (from FY 2022/23E). On the other hand, we foresee a normalisation in Claranova's main division, PlanetArt, after a phase of rapid growth over the last three years, helped by the launch of new products and the pandemic.

PlanetArt

Over the past three years, PlanetArt has posted booming sales through a combination of organic growth and M&A (3Y average YOY: c. 50%; 3Y average LFL: c. 25%). Bear in mind that the group has been constantly expanding its product offerings and entering new markets, which has fuelled growth over the past few years. First, launching complementary apps around FreePrints, with FreePrints Photobooks (2016), FreePrints Tiles (2018), FreePrints Cards (2019) and FreePrints Gifts (2020, and then expanding progressively to the personalised e-commerce sector, with the acquisitions of Personal Creation (2019), CafePress (2020) and I See Me! (2021). Geographically, PlanetArt is now present in fifteen countries, while the first photo-printing app was just launched in 2013.

Interestingly, there is significant potential for synergies between mobile photo-printing and websites for personalised e-commerce. Personal Creations and CafePress have been well integrated so far, both commercially and operationally, which bodes well for the future. In comparison with legacy websites, the integration of these two websites has gone a step further.

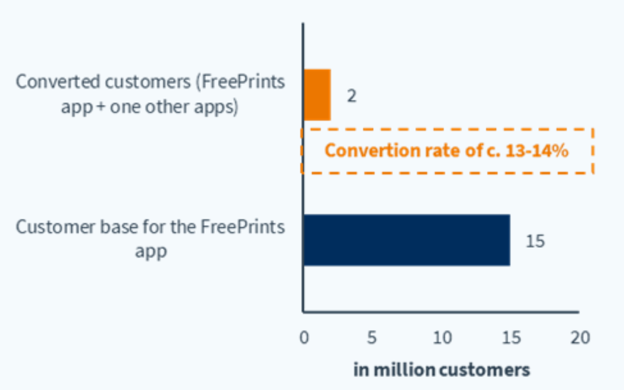
Indeed, Personal Creations and CafePress have: 1) a unified vendor communication; 2) similar web marketing approaches and shipping technology; and 3) shared content for websites; which all enable cross-selling. In the future, we expect further sales synergies to be unlocked, either via the group's websites or apps (with FreePrints Gift for instance). The personalised e-commerce sector is still largely dominated by a website offering, and we can easily imagine PlanetArt disrupting this market as it did with its FreePrints app in 2013 in the photo-printing industry.

Also, there is an important potential for increasing the conversion rate within the FreePrints apps ecosystem. Essentially, the FreePrints app should be viewed as a loss leader to sell higher-margin products through additional personalisation options and new products. Its offering stands out for its quality/price and ease of use, enabling it to attract new customers and encourage first-time orders, and then more regular ones, which promotes customer loyalty.

While this approach generates a lower average basket than that of competitors providing a premium offering, it secures access to a larger customer base, providing significant visibility on app platforms through ratings and comments left by customers. In FY 2020/21, the customer base of the FreePrints app had reached c. 15m, while only c. 2m were converted to one of the four other FreePrint apps (FreePrints Photobooks, FreePrints Tiles, FreePrints Cards, FreePrints Gifts), yielding a conversion rate of c. 13-14%.

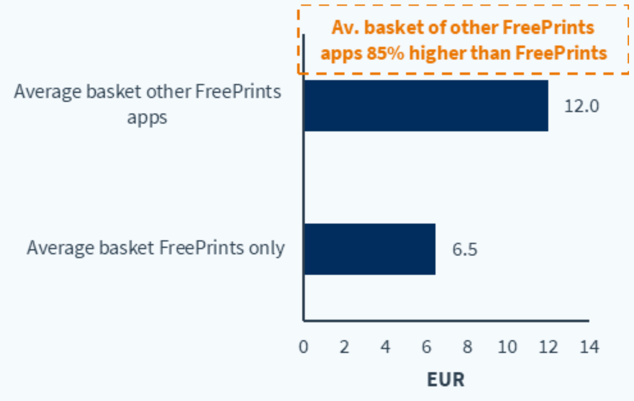
We think there is room for improvement, as customer feedback has been positive, and we believe a conversion rate of 50% could be reached in the medium term. Hence, there is substantial upselling potential, given the higher average basket for other FreePrints apps (FreePrints Photobooks, FreePrints Tiles, FreePrints Cards, FreePrints Gifts) compared to the FreePrints app. We estimate that the average basket of FreePrints is only c. EUR6-7 while it is around EUR12 for the other FreePrints apps, i.e. 85% higher.

Chart 47: FreePrints ecosystem's customer base and conversion rate, FY 2020/21



Sources: Claranova, Kepler Cheuvreux

Chart 48: Average basket in the FreePrints ecosystem, FY 2020/21



Sources: Claranova, Kepler Cheuvreux

Note that PlanetArt's future growth should be driven mainly by the diversification towards personalised e-commerce. As mentioned before, this market is larger and has more upside potential than the photo-printing industry. As it has done in the past, PlanetArt will probably expand its product offering and its geographical footprint, albeit to a lesser extent, in order to assert its position in this sector.

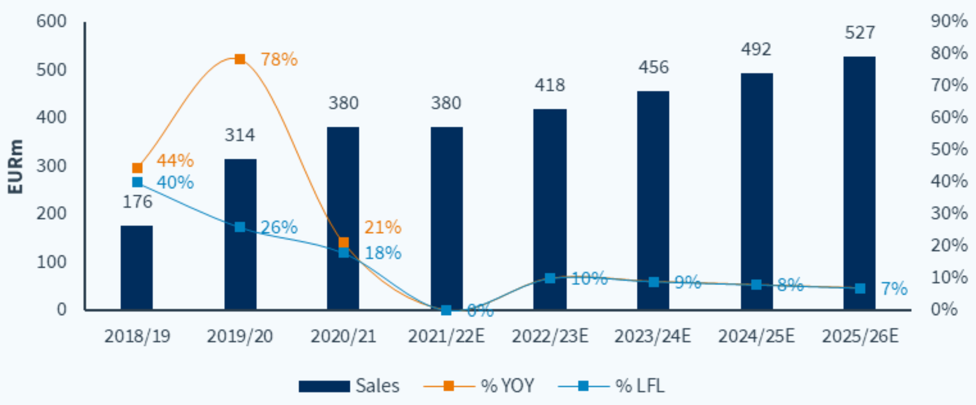
Interestingly, diversifying the product offering within the personalised e-commerce market will bring more traffic and hence more potential to monetise it. After I See Me!, and the group's diversification into personalised books for children, management could be interested in entering the online flower market, which would be complementary to the current verticals. For example, 1-800-Flowers.com in the US is already offering both floral products and gifts.

Finally, geographical expansion could also be viewed as a growth driver, even if it will not be a key priority of the management in the short term given its already wide exposure compared to peers. That said, in the medium term, we think the penetration of the European market for PlanetArt's customised product platforms (Personal Creation, CafePress, I See Me!), which have mainly been present in North America so far, is plausible.

Overall, we see PlanetArt posting a 6.7% LFL revenue CAGR over 2020/21-25/26E, outperforming the photo printing market, fuelled by an increase in the FreePrints conversion rate, and diversification towards the more dynamic mass customisation industry.

In the following chart, we present our five-year sales forecasts for PlanetArt.

Chart 49: PlanetArt's sales forecasts, 2021/22-25/26E



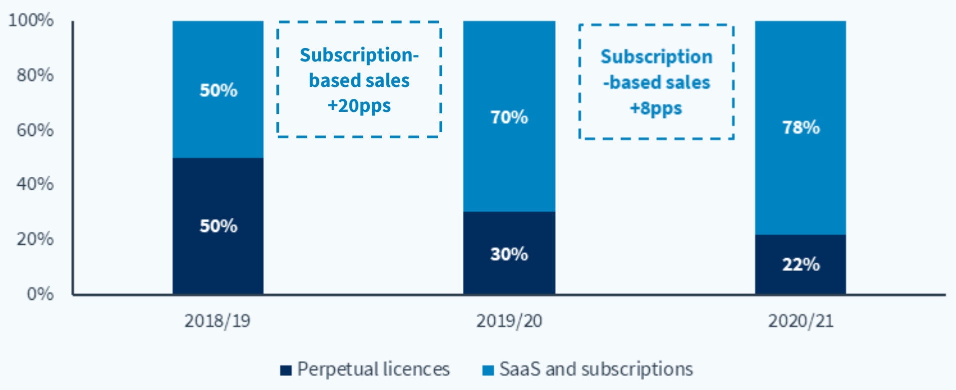
Sources: Claranova, Kepler Cheuvreux

Avanquest

As mentioned earlier, Avanquest has been completely restructured since FY 2014/15, to refocus its activity on online sales, proprietary software in growing and sticky verticals (PDF, Security, Photo), and a subscription-based and SaaS model.

Logically, subscription-based sales have increased since the changes were made to Avanquest's business model, and these sales now account for c. 78% of the revenue of the three main SaaS products developed and distributed by the group, up from 70% in FY 2019-20 and 50% in FY 2018-19 (Chart 50).

Chart 50: Evolution of subscription-based sales (as % of the three main proprietary software Soda PDF, Adaware, inPixio)



Sources: Claranova, Kepler Cheuvreux

With this transition now complete, Avanquest has considerably improved its profile, with recurring revenues now representing 58% of the division's total sales (>60% in H1 2021/22). While this shift has hampered revenue growth and profitability in the past few years, Avanquest's business model is now more resilient, and will secure revenue generation in the long term and boost profitability.

Chart 51: Evolution of recurring revenues (as % of total Avanquest's sales)

Sources: Claranova, Kepler Cheuvreux

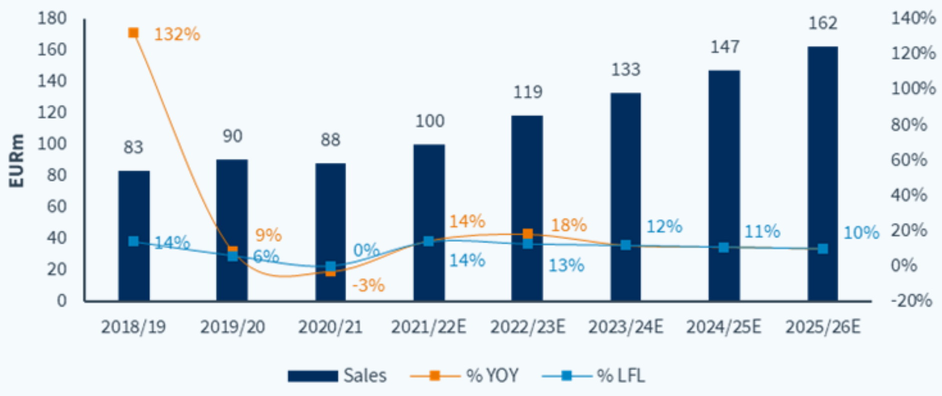
Over the past three years, Avanquest has posted decent sales, mainly driven by organic growth after its transforming acquisitions of Lulu Software, Adaware and Upclick in July 2018 (3Y average YOY: c. 46%; 3Y average LFL: c. 7%), taking into account its shift towards a subscription-based model.

We believe Avanquest will fully benefit from the underlying trends in its three underlying markets (PDF, Security, Photo), now that its transition towards SaaS/subscription has been completed. We forecast a c. 13.1% sales CAGR over 2021/22-25/26E, factoring in the PDF Forge acquisition (one-month contribution in FY 2021/22E, fully consolidated from FY 2022/23E) and in line with best-in-class players in the sector, given its a holistic approach, with the objective of controlling the entire value chain: from generating traffic to its monetisation and conversion to its SaaS solutions.

All three business lines (PDF, Security, Photo) should contribute to the increase in revenues, with Soda PDF and Adaware in the lead, followed by inPixio. We believe PDF Forge's growth will converge towards Avanquest's growth rate in the next two-three years when commercial synergies fully kick-in.

Note that bumpy perpetual licences (and other one-off items) now represent only c. 20% of the main software revenues, and non-strategic activities (i.e. residual physical sales) are already marginal, accounting for less than 10%.

Chart 52: Avanquest's sales forecasts, 2021/22-25/26E



Sources: Claranova, Kepler Cheuvreux

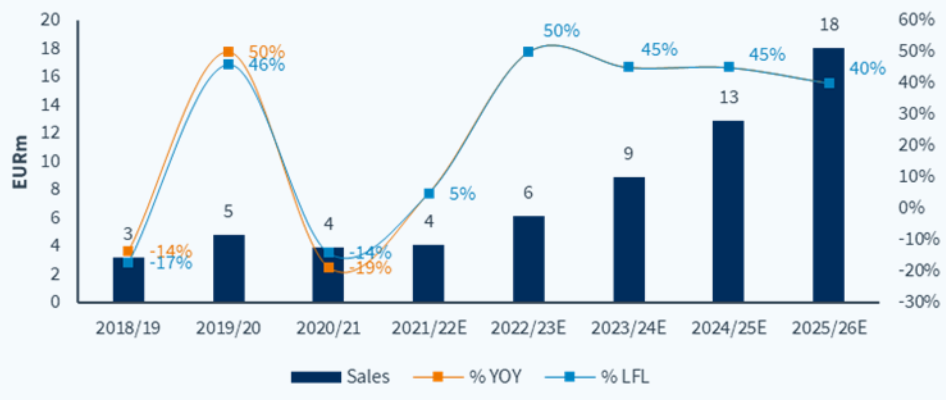
myDevices
As mentioned earlier, myDevices is a young activity (launch in 2015) and revenues are still low (1% of total sales in FY 2020/21). That said, the main investments have already been made (platform, packaged solutions, distribution/technology partnerships) and we believe this activity will take off from FY 2022/23E. Ingram (US) and Sprint (US, now T-Mobile since the acquisition in April 2020) already distribute myDevices solutions on a white-label basis.

Over the past three years, myDevices has posted erratic sales, mainly affected by external factors or high comparison basis with the launch of the Sprint partnership in FY 2017/18. Indeed, FY 2018/19 was impacted by the one-off contract with Sprint in FY 2017/18 and the FY 2020/21 was hampered by Covid with delays in some IoT projects and the paralysis of the hospitality sector (myDevices is largely exposed to this industry).

That said, we expect this division to return to growth in FY 2022/23E. The IoT sector is buoyant, fuelled by the increasing adoption of smart devices and the rise in demand for open IoT platforms, and the merger between Sprint and T-Mobile gives it access to a customer base of more than 100m people and a doubled sale force. Eventually, the easing of the restrictive Covid-related measures should lead to a recovery in IoT projects.

Bottom line, we expect a 35.9% LFL sales CAGR over 2021/22-25/26E, as FY 2021/22E should be penalised by the non-recurring items recognised in the previous year, while we consider a 40-50% run rate as sustainable in a normalised environment and see strong commercial momentum from partners. Bear in mind that the group will continue to strengthen its network of resellers in the future.

Chart 53: myDevices's sales forecasts, 2021/22-25/26E



Sources: Claranova, Kepler Cheuvreux

Sales forecasts wrap-up
Overall, we see Claranova posting a 8.4% sales CAGR over 2021/22-25/26E. In the following table, we sum up our forecasts by division. Note that we are below the company's revised guidance of EUR700m of revenues in FY 2023/24 (vs. EUR700m in FY 2022/23 initially), as we do not account for any M&A contribution after integrating PDF Forge (one-month contribution in FY 2021/22E, fully consolidated from FY 2022/23E).

Table 8: Claranova's revenue forecasts by division, 2018/19-25/26E

EURm	2018/19	2019/20	2020/21	2021/22E	2022/23E	2023/24E	2024/25E	2025/26E	2022-26E CAGR
PlanetArt (ex-Mobile)	**176.1**	**314.0**	**380.3**	**380.3**	**418.3**	**456.0**	**492.5**	**526.9**	**6.7%**
YOY growth - reported	*44.3%*	*78.3%*	*21.1%*	*0.0%*	*10.0%*	*9.0%*	*8.0%*	*7.0%*	
LFL growth	*40.0%*	*26.0%*	*18.0%*	*0.0%*	*10.0%*	*9.0%*	*8.0%*	*7.0%*	
Avanquest (ex-Internet)*	**83.0**	**90.3**	**87.7**	**100.4**	**118.6**	**132.8**	**147.4**	**162.1**	**13.1%**
YOY growth - reported	*131.8%*	*8.8%*	*-2.9%*	*14.5%*	*18.2%*	*11.9%*	*11.0%*	*10.0%*	
LFL growth	*14.0%*	*6.0%*	*0.0%*	*14.0%*	*12.8%*	*11.9%*	*11.0%*	*10.0%*	
myDevices (ex-IoT)	**3.2**	**4.8**	**3.9**	**4.1**	**6.1**	**8.9**	**12.9**	**18.1**	**35.9%**
YOY growth - reported	*-13.5%*	*50.0%*	*-18.8%*	*5.0%*	*50.0%*	*45.0%*	*45.0%*	*40.0%*	
LFL growth	*-17.0%*	*46.0%*	*-14.0%*	*5.0%*	*50.0%*	*45.0%*	*45.0%*	*40.0%*	
Total revenues	**262.3**	**409.1**	**471.9**	**484.8**	**543.1**	**597.7**	**652.7**	**707.1**	**8.4%**
YOY growth - reported	*62.4%*	*56.0%*	*15.4%*	*2.7%*	*12.0%*	*10.0%*	*9.2%*	*8.3%*	
LFL growth	*33.0%*	*20.0%*	*14.0%*	*2.6%*	*11.0%*	*10.0%*	*9.2%*	*8.3%*	

*Including PDF Forge (one-month contribution in FY 2021/22E, fully consolidated from FY 2022/23E); Sources: Claranova, Kepler Cheuvreux

Given the higher growth rates over our five-year forecast period, Avanquest and myDevices's respective weights should increase; while PlanetArt's should normalise.

Table 9: Breakdown of Claranova consolidated sales by division, 2018/19-25/26E

	2018/19	2019/20	2020/21	2021/22E	2022/23E	2023/24E	2024/25E	2025/26E
PlanetArt (ex-Mobile)	*67.1%*	*76.8%*	*80.6%*	*78.4%*	*77.0%*	*76.3%*	*75.4%*	*74.5%*
Avanquest (ex-Internet)	*31.6%*	*22.1%*	*18.6%*	*20.7%*	*21.8%*	*22.2%*	*22.6%*	*22.9%*
myDevices (ex-IoT)	*1.2%*	*1.2%*	*0.8%*	*0.8%*	*1.1%*	*1.5%*	*2.0%*	*2.6%*

Sources: Claranova, Kepler Cheuvreux

We see the adjusted EBITDA margin reaching 11.2% in FY 2025/26E

Gross margin (here, only including raw materials and purchases of goods)

The gross margin has been decreasing over the past three years, from 72.9% in 2018/19 to 68.3% in 2020/21, driven by the increasing weight of the PlanetArt segment in the mix. Bear in mind that purchases from this division account for more than 90% of the total COGS (95% in FY 2020/21, 92% in FY 2019/20), and that its fabless model induces a lower gross margin than peers (c. 40% vs. c. 70% for competitors).

Also, PlanetArt is still biased towards its legacy FreePrints app, which has a lower gross margin than the other FreePrints apps. We estimate that the loss-leading FreePrints app is accounting for c. 30% of PlanetArt's total sales. Finally, the recent acquisitions of Personal Creations and CafePress have had a dilutive impact on margins, increasing the COGS by EUR23.4m in FY 2020/21.

That said, we believe there is room for improvement in the years to come, fuelled by: 1) an increase of PlanetArt's conversion rate from FreePrints to other more profitable FreePrints apps; and 2) the catch-up of Avanquest and myDevices in the product-mix. Bottom line, we expect the product-mix improvement to compensate the current raw material/logistic costs inflation; hence, targeting a stable margin at 68.3% in FY 2021/22E (vs. 68.3% in FY 2020/21).

Against this backdrop, we forecast a slight increase in the gross margin over 2021/22-25/26E towards 70%, which seems fair in our view.

Chart 54: Gross margin evolution and estimates, 2013/14-2025/26E

Sources: Claranova, Kepler Cheuvreux

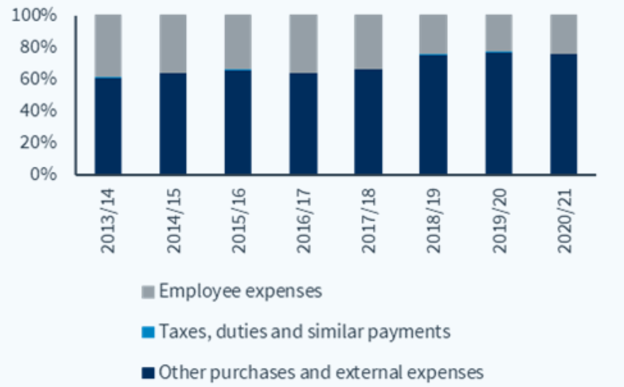
Opex driven by other purchases and external expenses, and staff costs

External expenses (mainly marketing expenses), and staff costs represent the bulk of Claranova's opex (c. 91% historically), reflecting the group's strategy to acquire online traffic through Internet advertising campaigns, and the increase in the number of employees after the latest acquisitions of Personal Creations and CafePress.

The other c. 9% is divided between: 1) taxes, duties and similar payments; and 2) other recurring operating expenses/income (historically negative, corresponding mainly to royalties paid for the Avanquest and PlanetArt divisions, restatement of commercial contracts under IFRS 15, and write-off of retail inventories following the shift in Avanquest's business model).

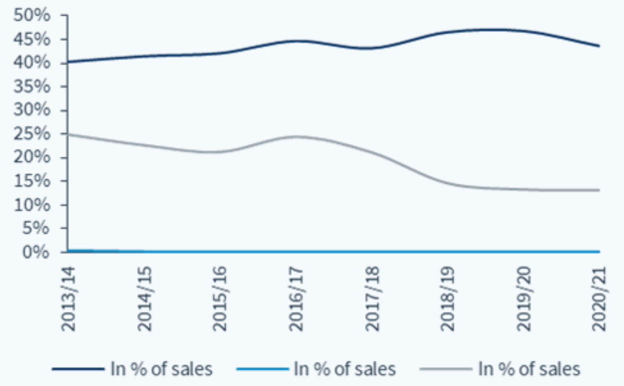
Excluding other recurring operating expenses/income from the equation, external charges have accounted for c. 69% of the group's opex on average since FY 2013/14, while personnel expenses represented c. 31%, and taxes and similar payments amounted to c. 0.3% (Chart 55).

Chart 55: Major opex lines (in absolute terms and % of opex)



Sources: Claranova, Kepler Cheuvreux

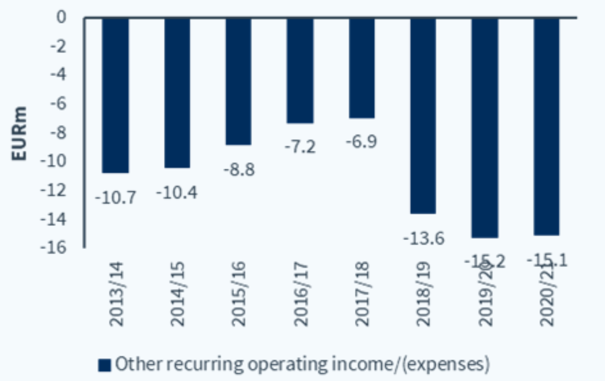
Chart 56: Major opex lines breakdown (% of sales)



Sources: Claranova, Kepler Cheuvreux

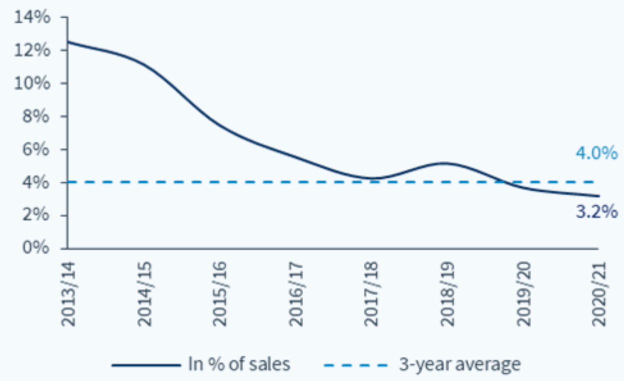
We present the other recurring operating expense/income line separately. Historically, it has accounted for c. 4% of sales over the past three years. However, we do not consider it to be a major opex item.

Chart 57: Other recurring operating expenses history (in absolute terms)



Sources: Claranova, Kepler Cheuvreux

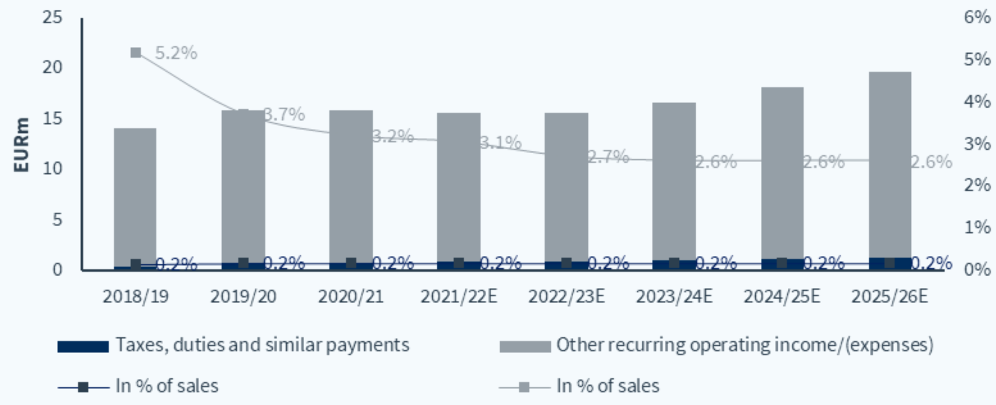
Chart 58: Other recurring operating expenses (% of sales)



Sources: Claranova, Kepler Cheuvreux

In our forecasts, we have decided to focus on external charges, and staff costs, as we assume that taxes, duties and similar payments, and other recurring operating expenses should stabilise at c. 0.2% and c. 2.6% of sales respectively in the future.

Chart 59: Taxes and similar payments, and other recurring operating forecasts, 2021/22-25/26E

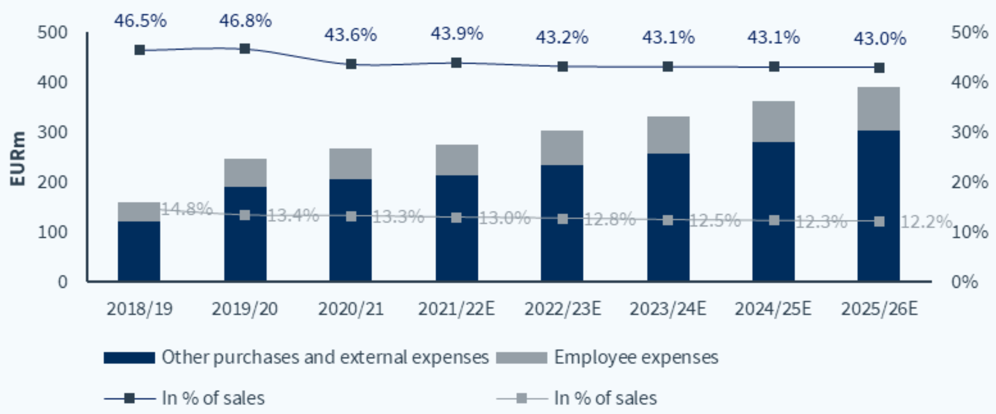


Sources: Claranova, Kepler Cheuvreux

Representing 13.3% of sales in FY 2020/21, personnel costs should increase at a reasonable rate in absolute terms over the next few years (excluding acquisitions). Similarly, the external charges mainly consist of marketing expenses, and should normalise as a percentage of sales in the medium-term thanks to economies of scale, while commercial and cost synergies related to past acquisitions are expected. While we expect an increase of marketing costs in FY 2021/22E given the new Apple Privacy Policy and reinforcement of resources at myDevices, we believe the main structures are already in place to support future growth (especially at Avanquest), so we expect to see an acceleration in the operating leverage over 2021/22-2025/26E.

In the following chart, we present our five-year external charges and personnel cost forecasts. We expect marketing expenses, and staff expenses to decrease to 43% and 12.2% of sales respectively.

Chart 60: External charges, employee expense forecasts, 2021/22-2025/26E



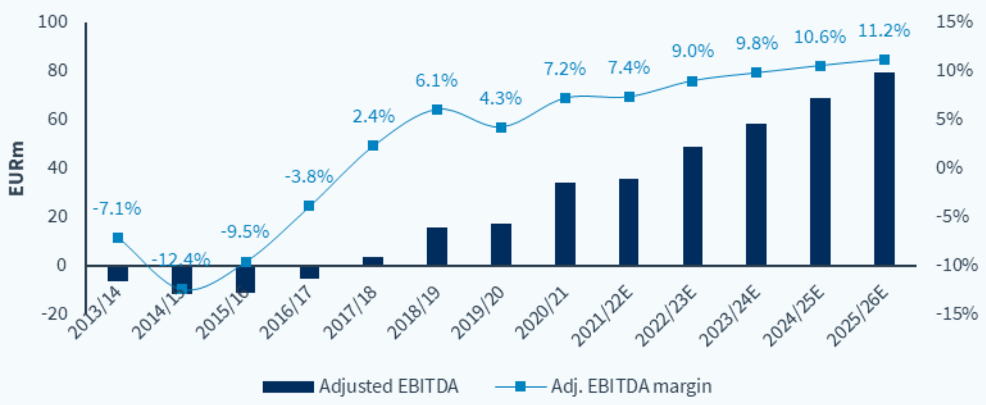
Sources: Claranova, Kepler Cheuvreux

Adjusted EBITDA and EBIT to gradually improve

All in all, we expect Claranova's EBITDA margin to gradually improve to 11.2% in 2025/26E (vs. 7.2% in FY 2020/21), thanks to a more favourable product-mix at PlanetArt and Avanquest, and operational efficiency gains. As for myDevices, we expect this division to break even in FY 2025/26E, when it reaches a critical size.

Note that we forecast an adjusted EBITDA of EUR49m in FY 2022/23E, yielding a margin of 9%, lower than management's guidance (>10% adj. EBITDA margin), given our lower revenue base (we do not take any M&A contribution after PDF Forge) and the induced lower operating leverage.

Chart 61: Adjusted EBITDA forecasts, 2021/22-2025/26E



Sources: Claranova, Kepler Cheuvreux

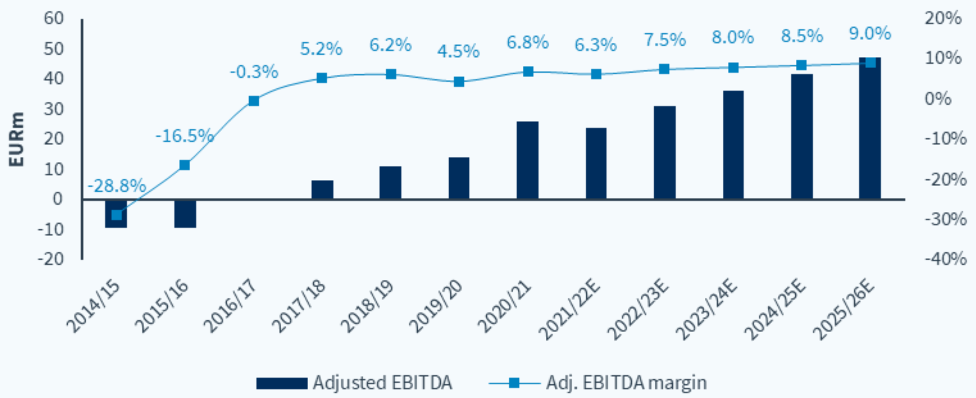
By division, our forecasts assume some profitability improvement across all divisions, mostly on the back of operating leverage, a better portfolio mix, and further cost improvement arising from synergies related to past acquisitions. That said, the margin growth will be fuelled by Avanquest in the short-term; while we expect PlanetArt to rebound from FY 2022/23E.

PlanetArt

Over the past few years, PlanetArt has managed to successfully enhance its profitability, with its adj. EBITDA margin up from c. -30% in FY 2014/15 to c. 7% in FY 2020/21, thanks to its larger business mass and streamlined cost base.

We expect PlanetArt's EBITDA margin to improve further in the medium-term, reaching 9% in 2025/26E, as we foresee economies of scale in marketing and G&A, a higher conversion rate from FreePrints to other more profitable FreePrints apps, and do not factor in any (dilutive) acquisitions. That said, we expect a margin normalisation at 6.3% in FY 2022/23E, factoring in the more difficult market context (Apple's iOS 14.5, supply chain pressures, higher customer acquisition, and raw materials/transportation costs inflation).

Chart 62: PlanetArt's adj. EBITDA margin track record and five-year forecasts, 2014/15-25/26E



Sources: Claranova, Kepler Cheuvreux

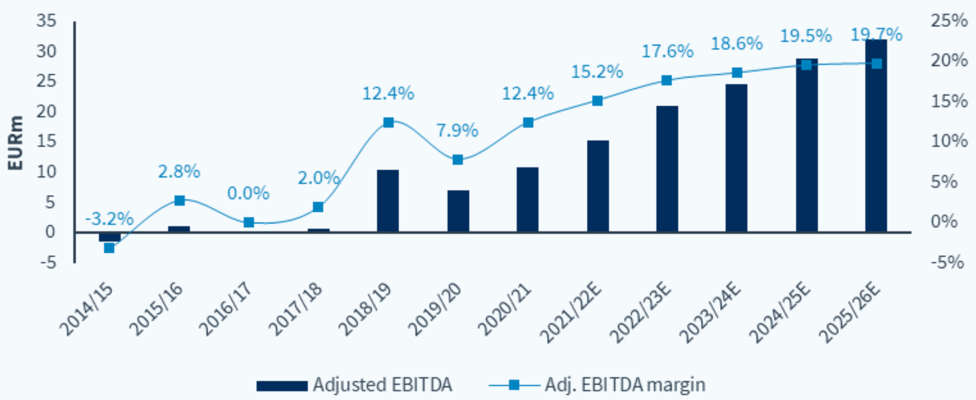
Avanquest

Avanquest's refocusing on its three main proprietary software solutions (Soda PDF, Adaware and InPixio) have led to substantial adj. EBITDA margin improvement over the past few years, from c. -2% in FY 2014/15 to c. 12% in FY 2020/21. Note that in FY 2019/20, profitability was hampered mainly by the transition to SaaS, and more digital marketing investments due to new product version launches (InPixio Studio Photo 10n in March 2020; Adaware Antivirus in August 2020; Soda PDF 12 in August 2020; and Adaware Protect beta version in October 2020, while Covid and the related lockdowns had a negative impact on retail sales.

That said, the shift in Avanquest's business model and its emphasis on recurring revenues (subscription renewals, upsell, cross-sell) are expected to generate leverage on profitability as the requires very limited new marketing investments; while the gross margin should improve with the further decrease in third-party software and physical distribution in the mix.

We believe Avanquest could reach an adj. EBITDA margin of 20-25% over the long run, and target c. 20% in 2025/26E. Note that in FY 2021/22E, the group should also benefit from the deconsolidation of the loss-making business LastCard, in which Claranova owns a 36% minority stake (deconsolidated from the Avanquest consolidation scope after Claranova's buyout of Avanquest's 64% minorities); while we understand that PDF Forge is highly margin accretive (profitability at c. 50% according to management).

Chart 63: Avanquest's adj. EBITDA margin track record and five-year forecasts, 2014/15-25/26E



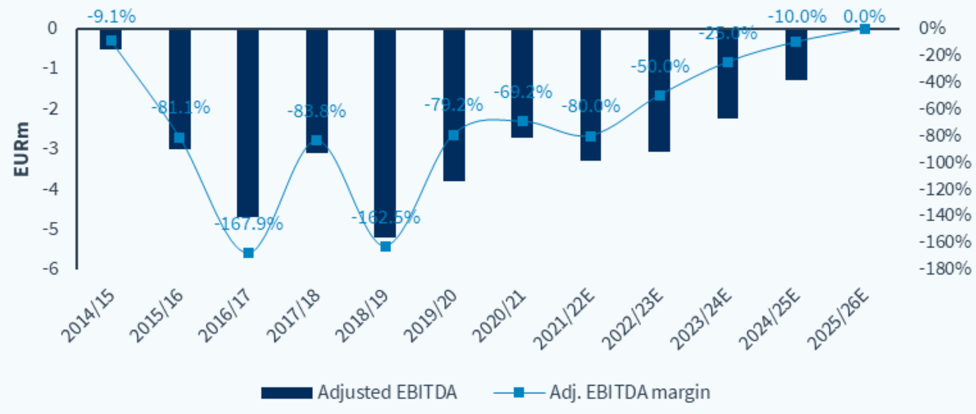
Sources: Claranova, Kepler Cheuvreux

myDevices

We recall that myDevices is still loss making, as it has not reached a critical size yet. Nevertheless, we expect to see a gradual improvement over the medium term, as myDevices' platform gains traction and the business grows. This division is mainly volume-driven and therefore the operating leverage will really kick in when the platform reaches maturity, requires less investments, and the marketing is handed over to the commercial partners.

We expect myDevices to reach breakeven in FY 2025/26E, when sales exceed the EUR15m mark.

Chart 64: myDevices's adjusted EBITDA margin track record and five-year forecasts, 2014/15-25/26E



Sources: Claranova, Kepler Cheuvreux

Below, we summarise our adj. EBITDA forecasts by division.

Table 10: Claranova's adjusted EBITDA forecasts by segment, 2021/22-25/26E

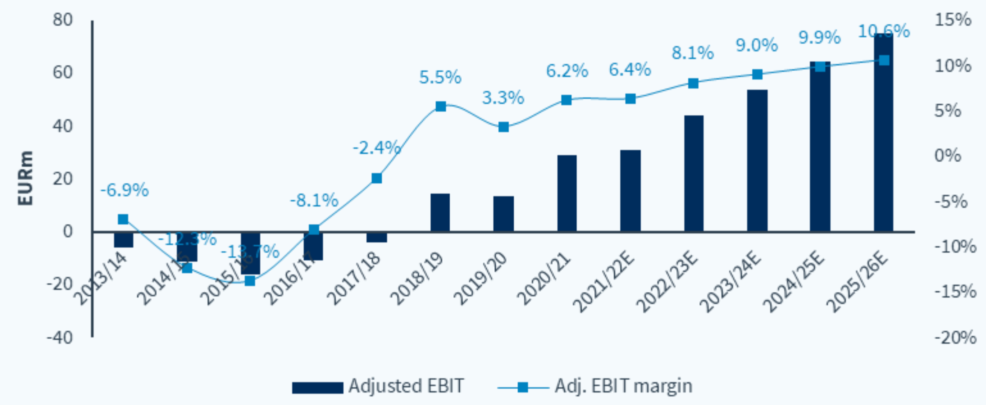
EURm	2018/19	2019/20	2020/21	2021/22E	2022/23E	2023/24E	2024/25E	2025/26E
PlanetArt (ex-Mobile)	**10.9**	**14.1**	**26.0**	**23.8**	**31.2**	**36.4**	**41.6**	**47.4**
EBITDA adjusted margin	*6.2%*	*4.5%*	*6.8%*	*6.3%*	*7.5%*	*8.0%*	*8.5%*	*9.0%*
Avanquest (ex-Internet)*	**10.3**	**7.1**	**10.9**	**15.2**	**20.9**	**24.6**	**28.7**	**32.0**
EBITDA adjusted margin	*12.4%*	*7.9%*	*12.4%*	*15.2%*	*17.6%*	*18.6%*	*19.5%*	*19.7%*
myDevices (ex-IoT)	**-5.2**	**-3.8**	**-2.7**	**-3.3**	**-3.1**	**-2.2**	**-1.3**	**0.0**
EBITDA adjusted margin	*-162.5%*	*-79.2%*	*-69.2%*	*-80.0%*	*-50.0%*	*-25.0%*	*-10.0%*	*0.0%*
Total EBITDA adjusted	**16.0**	**17.4**	**34.2**	**35.8**	**49.0**	**58.8**	**69.1**	**79.4**
EBITDA adjusted margin	*6.1%*	*4.3%*	*7.2%*	*7.4%*	*9.0%*	*9.8%*	*10.6%*	*11.2%*

*Including PDF Forge (one-month contribution in FY 2021/22E, fully consolidated from FY 2022/23E); Sources: Claranova, Kepler Cheuvreux

Moving down the P&L to EBIT, we also expect the margins to gradually improve. As a reminder, Claranova has an asset-light model as a technology and fabless company. At the end of FY 2020/21, the group had EUR96.4m of non-current assets, of which goodwill accounted for EUR64.4m (due to the past acquisitions) and intangibles for EUR13.1m (mainly software development costs).

Tangible assets represented only EUR5.2m, or EUR12.2m if we take into account the right-of-use assets (mainly buildings, vehicles). Given Claranova's asset-light model, we expect it to be able to keep capex at 1% of sales, and therefore we assume that D&A will remain fairly stable in the short term, decreasing to 1% of sales in the long run (1.8% of sales in FY 2021/22E, declining to c. 1% over the long run; 5Y historical average c. 1.1% of sales). All in all, we see a 10.6% adj. EBIT margin in FY 2025/26E (vs. 6.2% in FY 2020/21).

Chart 65: Adjusted EBIT forecasts, 2021/22-2025/26E



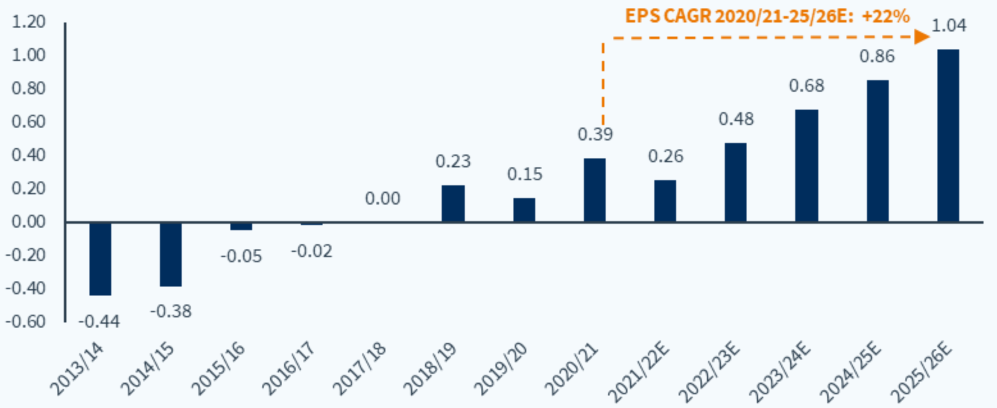
Sources: Claranova, Kepler Cheuvreux

EPS and return rates to follow

Below the EBIT line, we note that interest expenses have increased over the last few years, with a two-year average cost of debt of c. 5%, management focusing on flexibility. Note that the ORNANE bond issue by the group (quasi-equity) has further increase its cost of debt. Going forward, we expect a 6% interest rate in FY 2021/22E, decreasing over time to 4% in FY 2025/26E. Finally, we assume a normative tax rate of 25% from FY 2024/25E, while in the short-term that rate should be higher given the group's beneficiary profile and the constraints regarding the use of tax loss carry-forwards in certain regions.

Claranova's EPS has been consistently rising over the past few years and has remained in the black since FY 2019/20. We believe Claranova will generate double-digit EPS growth over the coming years, fuelled by a more favourable product-mix at PlanetArt and Avanquest, and operational efficiency gains. Overall, we have modelled a 22% EPS CAGR over 2020/21-25/26E, starting to increase again from FY 2022/23E and overcoming short-term uncertainties at PlanetArt.

Chart 66: Adjusted fully diluted EPS track record and forecasts, 2013/14-2025/26E



Sources: Claranova, Kepler Cheuvreux

Another logical consequence of this would be an increase in the ROE, ROCE and ROIC, which already surpassed the 20% threshold in FY 2020/21.

Detailed P&L forecasts

We provide a summary of our detailed P&L forecasts over 2021/22-25/26E in the following table.

Table 11: P&L forecasts (EURm)

	2018/19	2019/20	2020/21	2021/22E	2022/23E	2023/24E	2024/25E	2025/26E
Net revenue	**262.3**	**409.1**	**471.9**	**484.8**	**543.1**	**597.7**	**652.7**	**707.1**
Growth YOY - reported	*62.4%*	*56.0%*	*15.4%*	*2.7%*	*12.0%*	*10.0%*	*9.2%*	*8.3%*
COGS	(71.2)	(126.2)	(149.6)	(153.7)	(170.0)	(185.3)	(199.1)	(212.1)
Gross profit	**191.1**	**282.9**	**322.3**	**331.1**	**373.1**	**412.4**	**453.7**	**495.0**
Gross margin	*72.9%*	*69.2%*	*68.3%*	*68.3%*	*68.7%*	*69.0%*	*69.5%*	*70.0%*
Other purchases and external expenses	(122.0)	(191.4)	(205.8)	(212.8)	(234.6)	(257.6)	(281.0)	(304.1)
Taxes, duties and similar payments	(0.4)	(0.7)	(0.8)	(0.8)	(0.9)	(1.0)	(1.1)	(1.2)
Employee expenses	(38.8)	(55.0)	(62.8)	(63.0)	(69.5)	(74.7)	(80.3)	(86.3)
Other recurring operating income/(exp.)	(13.6)	(15.2)	(15.1)	(14.8)	(14.7)	(15.5)	(17.0)	(18.4)
EBITDA adjusted	**16.0**	**17.5**	**34.2**	**35.8**	**49.0**	**58.8**	**69.1**	**79.4**
Adj. EBITDA margin	*6.1%*	*4.3%*	*7.2%*	*7.4%*	*9.0%*	*9.8%*	*10.6%*	*11.2%*
Depreciation, amortisation and provisions (net of reversals)	(2.0)	(7.2)	(8.6)	(8.7)	(9.2)	(9.6)	(9.8)	(9.9)
Impact of IFRS 16 on leases expenses	0.0	(3.1)	(3.6)	(3.9)	(4.3)	(4.8)	(5.2)	(5.7)
Share-based payments, including social security expenses (IFRS restatements)	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Capitalised development costs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Recurring EBIT	**14.3**	**13.4**	**29.2**	**30.9**	**44.2**	**54.0**	**64.5**	**75.2**
REBIT margin	*5.5%*	*3.3%*	*6.2%*	*6.4%*	*8.1%*	*9.0%*	*9.9%*	*10.6%*
Other operating income and expenses	(2.9)	(5.6)	(4.4)	(4.8)	(5.4)	(6.0)	(6.5)	(7.1)
EBIT	**11.4**	**7.8**	**24.8**	**26.1**	**38.7**	**48.0**	**58.0**	**68.1**
EBIT margin	*4.3%*	*1.9%*	*5.3%*	*5.4%*	*7.1%*	*8.0%*	*8.9%*	*9.6%*
Financial result	(49.1)	(4.5)	(6.8)	(8.8)	(8.3)	(7.8)	(7.3)	(6.9)
Ordinary pre-tax profit	**(37.7)**	**3.3**	**18.0**	**17.3**	**30.4**	**40.2**	**50.6**	**61.2**
EBT margin	*(14.4%)*	*0.8%*	*3.8%*	*3.6%*	*5.6%*	*6.7%*	*7.8%*	*8.7%*
Corporate tax	(3.7)	(2.1)	(3.8)	(8.6)	(12.2)	(12.1)	(13.9)	(15.3)
Net profit from continued operations	**(41.4)**	**1.2**	**14.2**	**8.6**	**18.3**	**28.1**	**36.7**	**45.9**
Net profit from discontinued operations	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Net profit before minorities	**(41.4)**	**1.2**	**14.2**	**8.6**	**18.3**	**28.1**	**36.7**	**45.9**
Minorities	0.6	(0.7)	(3.7)	(0.9)	(0.1)	(0.5)	(0.8)	(1.4)
Net profit – group share	**(40.8)**	**0.5**	**10.5**	**7.7**	**18.1**	**27.7**	**35.9**	**44.6**
Adj. attributable net profit	**(37.9)**	**6.1**	**14.9**	**12.9**	**23.9**	**33.9**	**42.7**	**51.9**
Net margin	*(14.4%)*	*1.5%*	*3.2%*	*2.7%*	*4.4%*	*5.7%*	*6.5%*	*7.3%*

Sources: Claranova, Kepler Cheuvreux

Sound FCF generation to support balance sheet

Structurally negative WCR…

Claranova has a structurally negative WCR, with practically no stock and fewer receivables than payables, as customers pay when they place orders. It has historically averaged c. -6-7% of sales over the past two years. Going forward, we take a conservative approach, targeting a stable WCR of c. -6% of sales, as the situation gradually normalises after Covid. In the following table, we present our detailed calculations.

Table 12: WCR history and estimates, 2013/14-25/26E

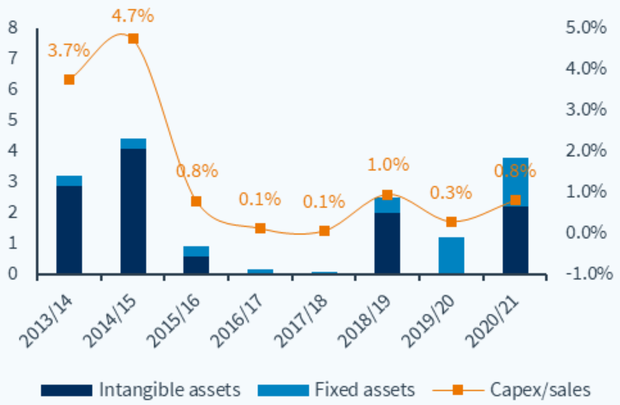
	13/14	14/15	15/16	16/17	17/18	18/19	19/20	20/21	21/22E	22/23E	23/24E	24/25E	25/26E
WCR (EURm)	**-9.7**	**-9.6**	**-10.2**	**-16.0**	**-23.7**	**-32.3**	**-32.0**	**-26.5**	**-29.4**	**-32.9**	**-36.2**	**-39.6**	**-42.8**
WCR (% of sales)	**-11.4%**	**-10.3%**	**-8.7%**	**-12.3%**	**-14.7%**	**-12.3%**	**-7.8%**	**-5.6%**	**-6.1%**	**-6.1%**	**-6.1%**	**-6.1%**	**-6.1%**
Inventory	8.6%	6.3%	4.3%	2.8%	2.3%	1.8%	3.5%	3.4%	3.0%	3.0%	3.0%	3.0%	3.0%
Receivables	11.7%	5.1%	4.0%	3.3%	3.0%	4.4%	2.4%	1.9%	3.0%	3.0%	3.0%	3.0%	3.0%
Other current assets	6.9%	7.4%	4.0%	2.2%	3.0%	3.5%	2.2%	2.7%	2.7%	2.7%	2.7%	2.7%	2.7%
Trade payables	23.1%	22.9%	16.7%	16.7%	14.7%	10.7%	11.7%	9.9%	11.0%	11.0%	11.0%	11.0%	11.0%
Other current liabilities	15.5%	6.3%	4.2%	3.9%	8.3%	11.4%	4.3%	3.8%	3.8%	3.8%	3.8%	3.8%	3.8%
Change in WCR	**3.8**	**0.4**	**2.5**	**6.8**	**7.9**	**-4.1**	**22.5**	**-4.4**	**2.9**	**3.5**	**3.3**	**3.3**	**3.3**

Sources: Claranova, Kepler Cheuvreux

…and low capex (mainly linked to intangible assets, especially software development)

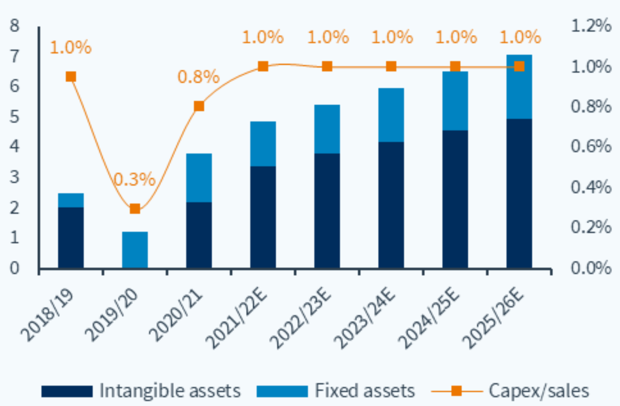
Historically, Claranova has spent around EUR2-4m a year in capex for the past three years (0.7% of sales on average), corresponding mainly to investments in intangible assets and especially in software development. The investments in fixed assets were marginal, representing just 0.2% of sales over the last three years. Going forward, we expect capex to remain stable at c. 1% of sales, given the technological nature of the group's business and PlanetArt's fabless model.

Chart 67: Capex history, 2013/14-2020/21



Sources: Claranova, Kepler Cheuvreux

Chart 68: Capex estimates, 2018/19-2025/26E



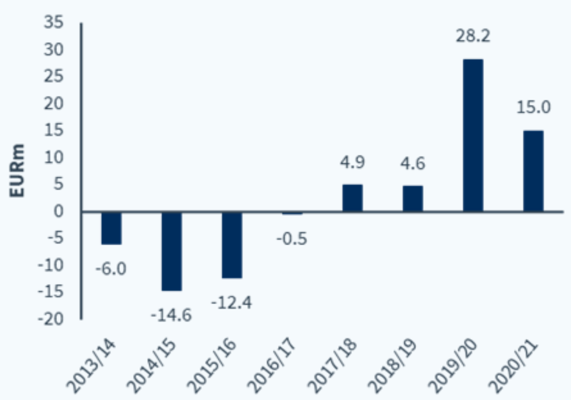
Sources: Claranova, Kepler Cheuvreux

FCF generation to further improve, especially from FY 2022/23E…

Historically, Claranova's FCF generation has improved, almost year-over-year, and has remained in the black since FY 2017/18. This is a direct consequence of the group's improved profitability profile over the past years, while WCR movements have generally been positive and capex impacts limited. Note that the decrease in cash generation in FY 2020/21 is mainly due to a negative WCR movement. Inherent to its negative working capital, WCR was exceptionally low in FY 2019/20 due to PlanetArt's strong growth during the lockdowns, and it has logically normalised with the lifting of health restrictions.

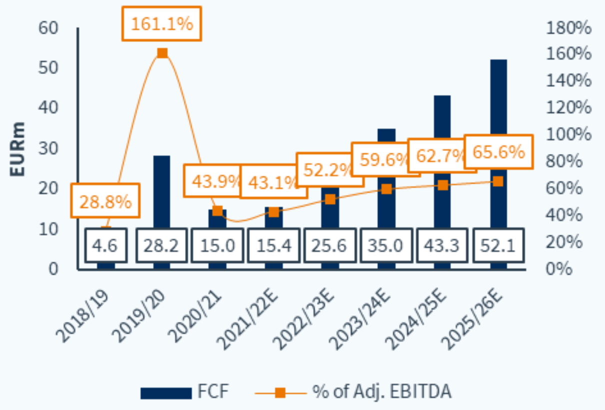
We expect a continuous improvement in FCF generation, after a stabilisation in FY 2021/22E (due to the short-term difficulties at PlanetArt), on the back of a solid activity level, increasing margins, and Claranova's business model which is characterised by structurally negative WCR and low capex. Bear in mind that the group's business is not capital-intensive, and it does not need to invest in growth capex to generate higher growth than in the past.

Chart 69: FCF* history, 2013/14-2020/21



*KECH FCF definition: Operating cash flow minus capex; Source: Kepler Cheuvreux

Chart 70: FCF* estimates, 2021/22-25/26E



*KECH FCF definition: Operating cash flow minus capex; Source: Kepler Cheuvreux

…supporting already solid balance sheet fundamentals

Claranova's balance sheet offers strong fundamentals, with a shareholders' equity ratio that has averaged 35% over the past three years. Historically, the group has always benefited from a net cash position.

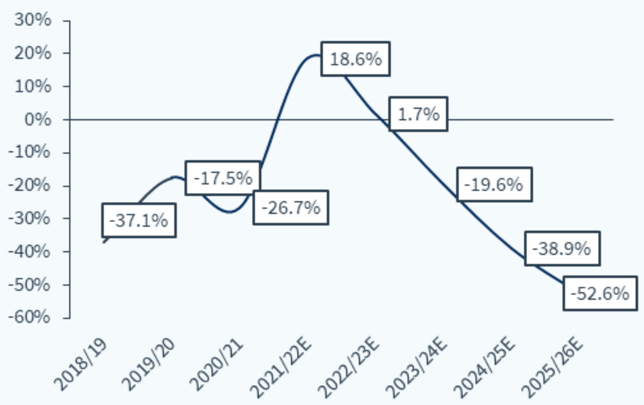
In FY 2021/22E, we have taken into account the latest financial operations of the group, namely the buyout of Avanquest's (finalised on 1 November 2021) and PlanetArt's (January 2022, phased out over FY 2021/22-23/24) minority interests, as well as the binding agreement to acquire the

German software publisher, PDF forge (announced in April 2022, closing date anticipated no later than 15 June 2022), explaining the increase in the net debt.

We recall that Claranova paid: 1) c. EUR99.9m to buy out Avanquest's remaining 64% minorities (EUR47.7m in cash, EUR28.7m in 4.1m Claranova shares at EUR7/share, and EUR23.6m in promissory notes with maturities ranging from 1 to 10 years); 2) c. EUR13-35m to buy out between 25-65% of SCEP's 7.7% stake in PlanetArt (i.e. 1.9-5% of PlanetArt total capital), financed with PlanetArt's cash. For the PlanetArt operation, we take the hypothesis of a 95% ownership from FY 2021/22E (i.e. the mid-range of 25-65% targeted by the company; bear in mind that subsequent buybacks are subject to PlanetArt's EBITDA performance at the end of H2 2021/22, H1 2022/23, H2 2022/23 and H1 2023/24) and 3) EUR24.5m to acquire PDF Forge, with EUR19m payable on the signature (FY 2021/22) and the balance one year after the closing date.

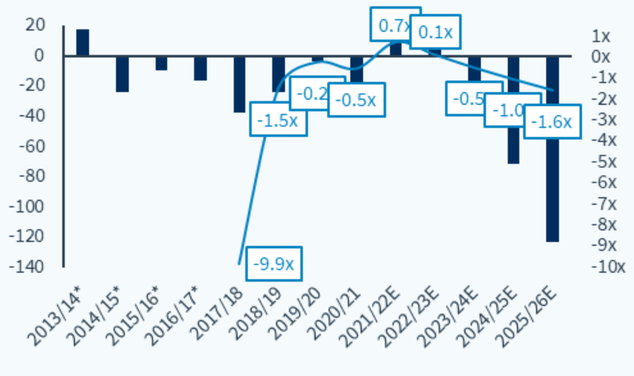
That said, the gearing and leverage stay in control, leaving room for other potential acquisitions. In our view, potential targets would be players that could bring a complementary offer and that would be margin accretive such as PDF Forge.

Chart 71: Claranova's gearing, 2018/19-25/26E



Sources: Claranova, Kepler Cheuvreux

Chart 72: Claranova's net debt and leverage, 2013/14-25/26E



*Negative EBITDA; Sources: Claranova, Kepler Cheuvreux

Valuation, target price, and risks

Claranova's share price has taken several hits over the past few months, including from the change in Apple's App Tracking Transparency (ATT), COVID-19 normalisation, and the poor macroeconomic environment.

That said, we believe that the bad news is now more than priced in now and that the recent share price weakness represents an attractive entry point for a medium-term investment. In our view, the current share price clearly fails to reflect Claranova's full potential, given its asset monetisation prospects and the recent simplification of its corporate structure.

For the record, the group's current EV of c. EUR180m does not even equal PlanetArt's (EUR274m) or Avanquest's (EUR238m) valuations on a standalone basis. Also, the recent deal to buy back PlanetArt's minorities based on a USD727-759m valuation for the whole division (i.e. c. EUR660-690m), significantly higher than our estimates, clearly shows that the group is undervalued.

Compared to our weighted peer group (including only PlanetArt and Avanquest, as myDevices is not yet profitable; 60% PlanetArt and 40% Avanquest), the company is trading at a 65% discount on our 2022-23E EV/EBITDA multiples. While this can be explained by the group's lower margins, smaller size, and conglomerate markdown, we believe the discount is too high. We expect the discount to narrow as soon as the company announces good news about its acquisition channel, while we believe it will continue to gain market share and execute on its profitability improvement in the medium term.

We value Claranova by using a sum-of-the-parts approach, as its three divisions (PlanetArt, Avanquest, myDevices) have few synergies between them and are exposed to different kinds of growth and profitability prospects. More precisely, we value PlanetArt based on a DCF, Avanquest on a DCF and peer multiples, and myDevices on historical transaction multiples.

We derive a fair value per share of EUR6, implying c. 100% upside, which leads us to initiate coverage with a Buy rating.

Share price performance

As we show in the following charts, the stock has underperformed the CAC Small index over the past ten years (since 5 April 2012, on a weekly data basis). Note that the performance spread had virtually disappeared in H2 2020, fuelled by the company's transformation and turnaround, and more recently by the pandemic, when Claranova's online traction grew. Nevertheless, the gap widened again in 2021 and especially in Q1 2022, impacted by Covid-19 normalisation, the new Apple Privacy Policy attached to the iOS 14.5, and more recently the sectorial rotation from growth to value stocks, and the poor macroeconomic environment (Russia/Ukraine war). Bear in mind that Claranova is a high beta stock, which exacerbates both the upward and downward market movements.

Finally, the sales warning issued by the group at its H1 results presentation did not help, even if the consensus was largely below management's targets before the publication. Overall, we believe that the lack of short-term visibility on PlanetArt has totally overshadowed Avanquest's impressive transformation and the group's preservation of profitability in H1 2021/22, which seems "unfair" to us. Q3 trading update published on 10 May essentially confirmed the trends observed in H1.

Chart 73: Claranova's share price performance, 10-year history*

*Weekly data; Source: Reuters, Kepler Cheuvreux

Chart 74: Claranova's share price performance vs. CAC Small Index (rebased to 100), 10-year history*

*Weekly data; Source: Reuters, Kepler Cheuvreux

Initiating coverage on Claranova with a Buy rating and a SOP-based EUR6 TP

As already mentioned, Claranova should be considered as a holding company that manages majority interests in key technology markets (Internet, Mobile, and Internet of Things). As such, the best method to value the group is through a sum-of-the-parts approach. Bear in mind that Claranova's three divisions (PlanetArt, Avanquest, myDevices) have few synergies between them and are exposed to different kinds of growth and profitability prospects; hence, our choice to use an SOP to value the company.

Below, we summarise our SOP approach and our valuation methods for each division.

1. We value PlanetArt based on a ten-year DCF.
2. We value Avanquest based on a ten-year DCF and peer multiples.
3. We value myDevices based on transaction multiples.

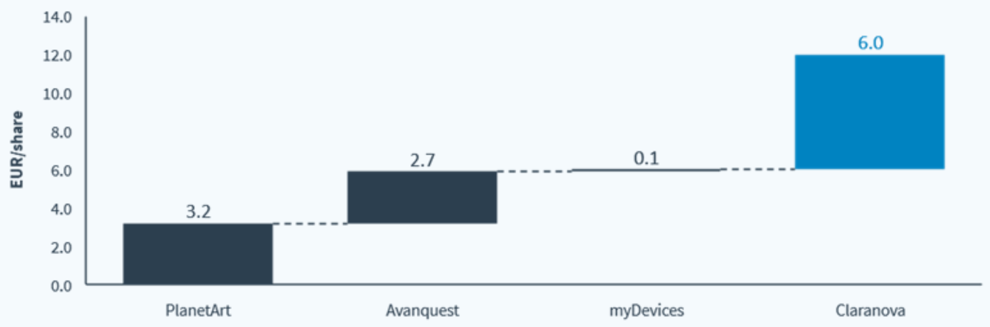
Note that we apply a 40% discount to the overall group to reflect our conservative stance and to take into account the fact that Claranova remains a holding company. We believe that a spin-off of PlanetArt or Avanquest in 2022E is unlikely, given the current market environment, which is reflected in our discount.

Table 13: Claranova's SOP summary

EURm	Valuation method	Claranova ownership	Implied EV
PlanetArt	**100% DCF**	**95%***	**273.7**
Avanquest	**50% DCF, 50% peer multiples (average EV/EBITDA 2022-23E)**	**100%**	**238.1**
myDevices	**100% past transaction multiples (EV/sales 2022E)**	**61%**	**10.3**
Total Claranova EV			**522.0**
Bridge (at end-FY 2022/23E)			
(-) Net debt			-6.7
(-) LT provisions			-2.2
(+) Financial assets			0.7
Equity value pre-discount			**513.8**
Holding discount			*40%*
Equity value post-discount			**308.3**
Number of diluted shares			*49.9*
TP reported (EUR, rounded)			**6.00**

*Claranova's stake in PlanetArt will range between 93.9% and 97% after the finalisation of SCEP's minority interest buyback, we take a hypothesis of 95% ownership at the end of FY 2022/23E; Source: Kepler Cheuvreux

Chart 75: Claranova equity value per share bridge (EUR/share)



Source: Kepler Cheuvreux

We provide below a scenario analysis with different discounts applied.

Table 14: Equity value per share sensitivity to discount (EUR)

Discount applied	Claranova equity value per share (EUR)
20%	8.2
30%	7.2
40%	**6.0**
50%	5.2
60%	4.2

Source: Kepler Cheuvreux

Below we detail the valuation for the PlanetArt, Avanquest, and myDevices divisions:

PlanetArt: EV of EUR274m based on a DCF

Our ten-year DCF returns an EV of EUR274m

We value PlanetArt using a ten-year DCF and derive an EV of EUR274m. We present our detailed assumptions below:

- **Revenue:** An 6.7% CAGR over 2020/21-25/26E, outperforming the photo printing market (c. 6% over the same period), fuelled by an increase in the FreePrints conversion rate and diversification towards the more dynamic mass customisation industry. Over the long term, we assume a conservative 2% growth rate.
- **EBITDA margin:** A gradual improvement to 9% in 2025/26E, as we foresee economies of scale in marketing and G&A, a higher conversion rate from FreePrints to other, and more profitable FreePrints apps, while we do not factor in any (dilutive) acquisitions. A c. 8-10% EBITDA margin might be considered a normalised level, and therefore we take a conservative stance over and assume a 8% long-term margin.
- **Capex/D&A:** We assume a stable 1% capex level over our ten-year forecast period, as PlanetArt operates under a fabless asset-light model. D&A should therefore decrease over time, and we expect that capex will match D&A at 1% from 2029/30E onwards.
- **Tax rate:** We assume a normative tax rate of 25% from FY 2024/25E, while in the short-term that rate should be higher given the group's beneficiary profile and the constraints regarding the use of tax loss carry-forwards in certain regions.
- **Long-term assumptions:** 2% long-term growth, stable WCR of c. -6% of sales (structurally negative, 2Y average of c. -6-7% of sales).
- **WACC (i.e. cost of equity 13.2%)**, based on a 9% equity risk premium (10% expected market return, 1% risk-free rate) and a beta of 1.35 (adjusted beta of 1.3-1.4 on Bloomberg, based on a returns regression vs. the CAC Small Index).

Table 15: PlanetArt DCF summary

EURm	21/22E	22/23E	23/24E	24/25E	25/26E	26/27E	27/28E	28/29E	29/30E	30/31E	31/32E	32/33E	32/33+
Sales	380.3	418.3	456.0	492.5	526.9	558.5	586.5	609.9	628.2	643.9	658.4	671.6	685.0
Growth YOY	0.0%	10.0%	9.0%	8.0%	7.0%	6.0%	5.0%	4.0%	3.0%	2.5%	2.3%	2.0%	2.0%
Adj. EBITDA	23.8	31.2	36.4	41.6	47.4	50.3	52.8	54.9	56.5	58.0	59.3	60.4	54.8
EBITDA margin	6.3%	7.5%	8.0%	8.5%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%	8.0%
Adj. EBIT	17.0	24.1	29.1	34.2	40.0	43.0	45.7	48.2	50.3	51.5	52.7	53.7	48.0
EBIT margin	4.5%	5.8%	6.4%	7.0%	7.6%	7.7%	7.8%	7.9%	8.0%	8.0%	8.0%	8.0%	7.0%
NOPAT	8.5	14.5	20.3	24.8	30.0	32.3	34.3	36.1	37.7	38.6	39.5	40.3	36.0
D&A	6.8	7.1	7.3	7.4	7.4	7.3	7.0	6.7	6.3	6.4	6.6	6.7	6.9
% of sales	1.8%	1.7%	1.6%	1.5%	1.4%	1.3%	1.2%	1.1%	1.0%	1.0%	1.0%	1.0%	1.0%
Change in WC	2.9	3.5	3.3	3.3	3.3	3.2	3.1	2.8	2.4	2.3	2.3	2.4	2.4
Capex	-3.8	-4.2	-4.6	-4.9	-5.3	-5.6	-5.9	-6.1	-6.3	-6.4	-6.6	-6.7	-6.9
% of sales	-1.0%	-1.0%	-1.0%	-1.0%	-1.0%	-1.0%	-1.0%	-1.0%	-1.0%	-1.0%	-1.0%	-1.0%	-1.0%
Op. free cash flow	14.4	20.9	26.4	30.6	35.4	37.2	38.6	39.5	40.1	40.9	41.8	42.7	38.4
Op. discounted FCF	-	-	23.0	23.6	24.1	22.3	20.5	18.5	16.6	15.0	13.6	12.2	11.0

EURm	Sum
Sum of discounted FCF	189.5
Terminal value	98.6
EV PlanetArt	**288.1**
(-) Minorities	-14.4
EV PlanetArt (Claranova share)	**273.7**

Source: Kepler Cheuvreux

Table 16: WACC summary

Normative pre-tax cost of debt	4.0%
Normative marginal tax rate	25.0%
After-tax cost of debt	**3.0%**
Risk-free rate (Rf)	1.0%
Market return (Rm)	10.0%
Market premium (Rm-Rf)	9.0%
Beta	1.35
Cost of Equity	**13.2%**
Debt (% of EV)	0.0%
Equity (% of EV)	100.0%
WACC (i.e. cost of equity)	**13.2%**

Source: Kepler Cheuvreux

Sensitivity analysis

We have carried out a sensitivity analysis for our DCF-based fair value for different levels of cost of capital, terminal growth, and long-term EBITDA margin, which yields an intrinsic value in the EUR250m to EUR300m range, as detailed in the two tables below:

Table 17: DCF-based EV sensitivity to WACC and terminal growth (EURm)

		Perpetual growth				
		1.5%	**1.8%**	**2.0%**	**2.3%**	**2.5%**
WACC	**13.7%**	257.9	259.8	261.8	263.9	266.1
	13.4%	263.4	265.5	**267.6**	269.8	272.2
	13.2%	269.2	**271.4**	**273.7**	**276.0**	278.5
	12.9%	275.2	277.5	**280.0**	282.5	285.2
	12.7%	281.5	284.0	286.6	289.3	292.2

Source: Kepler Cheuvreux

Table 18: DCF-based EV sensitivity to WACC and LT EBITDA margin (EURm)

		LT EBITDA margin				
		7.0%	**7.5%**	**8.0%**	**8.5%**	**9.0%**
WACC	**13.7%**	250.3	256.1	261.8	267.5	273.3
	13.4%	255.6	261.6	**267.6**	273.6	279.6
	13.2%	261.1	**267.4**	**273.7**	**279.9**	286.2
	12.9%	266.9	273.4	**280.0**	286.5	293.1
	12.7%	272.9	279.7	286.6	293.5	300.3

Source: Kepler Cheuvreux

We chose not to use a peer group analysis for PlanetArt, as the only listed peers are CEWE, Moonpig, and Desenio, which have very different business models than PlanetArt. The group has a unique mobile approach based on a fabless and freemium model, while competitors own their production and are rather positioned on the web and the premium side of the market.

Nevertheless, we have backed our DCF approach by calculating the implied multiples. At our EV, PlanetArt would trade at 12x EBITDA 2022E. This basically corresponds to a through-the-cycle multiple, taking the average between the peak (EV/EBITDA 2022E of 13x) and bottom valuation (EV/EBITDA 2022E of 8x) to take into account the Covid-19 normalisation, supply chain pressures, and higher raw material and transportation costs.

Avanquest: EV of EUR238m based on a blend of a DCF and peer valuation

Our ten-year DCF returns an EV of EUR274m

We value Avanquest using a ten-year DCF and derive an EV of EUR274m. We present our detailed assumptions below:

- **Revenue:** We believe Avanquest will fully benefit from the underlying trends in its three underlying markets (PDF, Security, Photo) now that its transition towards SaaS/subscription has been completed. We forecast a 13.1% CAGR over 2020/21-25/26E (factoring in the PDF Forge acquisition), in line with best-in-class players in the sector, given its holistic approach with the objective of controlling the entire value chain, from generating traffic, to its monetisation and conversion, to its SaaS solutions. All three business lines (PDF, Security, Photo) should contribute to the increase in revenues, with Soda PDF and Adaware in the lead, followed by inPixio. We believe PDF Forge's growth will converge towards Avanquest's growth rate in the next two-three years when commercial synergies fully kick-in.
- **EBITDA margin:** The shift in Avanquest's business model and its emphasis on recurring revenues (subscription renewals, upsell, cross-sell) are expected to generate leverage for profitability, as the model requires very limited new marketing investments, while the gross margin should improve with the further decrease in third-party software and physical distribution in the mix. We believe Avanquest could reach an adj. EBITDA margin of 20-25% over the long run, and target a c. 20% in 2025/26E. We take a conservative stance on our long-term assumption at 20%.
- **Capex/D&A:** We assume a stable 1% capex level over our ten-year forecast period, as this level seems sustainable given Avanquest's software activity. We expect capex to match D&A at 1% from 2029/30E onwards, as we do for PlanetArt.
- **Tax rate:** As for PlanetArt, we assume a normative tax rate of 25% from FY 2024/25E, while in the short-term that rate should be higher given the group's beneficiary profile and the constraints regarding the use of tax loss carry-forwards in certain regions.
- **Long-term assumptions:** 2% long-term growth, stable WCR of c. -6% of sales (structurally negative, 2Y average of c. -6-7% of sales) – same assumptions as for PlanetArt.
- **WACC (i.e. cost of equity 13.2%)**, based on a 9% equity risk premium (10% expected market return, 1% risk-free rate) and a beta of 1.35 (adjusted beta of 1.3-1.4 on Bloomberg, based on a returns regression vs. the CAC Small Index).

Table 19: Avanquest DCF summary

EURm	21/22E	22/23E	23/24E	24/25E	25/26E	26/27E	27/28E	28/29E	29/30E	30/31E	31/32E	32/33E	32/33+
Sales	100.4	118.6	132.8	147.4	162.1	176.7	192.6	208.0	224.7	242.6	262.0	283.0	288.7
Growth YOY	14.5%	18.2%	11.9%	11.0%	10.0%	9.0%	9.0%	8.0%	8.0%	8.0%	8.0%	8.0%	2.0%
Adj. EBITDA	15.2	20.9	24.6	28.7	32.0	35.7	40.0	43.8	48.4	53.8	59.0	64.5	57.7
EBITDA margin	15.2%	17.6%	18.6%	19.5%	19.7%	20.2%	20.8%	21.1%	21.6%	22.2%	22.5%	22.8%	20.0%
Adj. EBIT	13.4	18.9	22.5	26.5	29.7	33.4	37.7	41.5	46.2	51.3	56.3	61.6	54.8
EBIT margin	13.4%	15.9%	17.0%	18.0%	18.3%	18.9%	19.6%	20.0%	20.6%	21.2%	21.5%	21.8%	19.0%
NOPAT	6.7	11.3	15.8	19.2	22.3	25.0	28.2	31.1	34.6	38.5	42.3	46.2	41.1
D&A	1.8	2.0	2.1	2.2	2.3	2.3	2.3	2.3	2.2	2.4	2.6	2.8	2.9
% of sales	1.8%	1.7%	1.6%	1.5%	1.4%	1.3%	1.2%	1.1%	1.0%	1.0%	1.0%	1.0%	1.0%
Change in WC	2.9	3.5	3.3	3.3	3.3	3.2	3.1	2.8	2.4	2.3	2.3	2.4	2.4
Capex	-1.0	-1.2	-1.3	-1.5	-1.6	-1.8	-1.9	-2.1	-2.2	-2.4	-2.6	-2.8	-2.9
% of sales	-1.0%	-1.0%	-1.0%	-1.0%	-1.0%	-1.0%	-1.0%	-1.0%	-1.0%	-1.0%	-1.0%	-1.0%	-1.0%
Op. Free cash flow	10.4	15.7	19.9	23.3	26.2	28.8	31.7	34.1	37.0	40.8	44.6	48.6	43.6
Op. Discounted FCF	-	-	17.3	17.9	17.8	17.3	16.9	16.0	15.3	15.0	14.4	13.9	12.5

EURm	Sum
Sum of discounted FCF	161.9
Terminal value	111.9
EV Avanquest	**273.8**
(-) Minorities	0.0
EV PlanetArt (Claranova share)	**273.8**

Source: Kepler Cheuvreux

Note that we use the same cost of equity as for PlanetArt.

Table 20: WACC summary

Normative pre-tax cost of debt	4.0%
Normative marginal tax rate	25.0%
After-tax cost of debt	**3.0%**
Risk-free rate (Rf)	1.0%
Market return (Rm)	10.0%
Market premium (Rm-Rf)	9.0%
Beta	1.35
Cost of Equity	**13.2%**
Debt (% of EV)	0.0%
Equity (% of EV)	100.0%
WACC (i.e. cost of equity)	**13.2%**

Source: Kepler Cheuvreux

Sensitivity analysis

We have carried out a sensitivity analysis for our DCF-based fair value for different levels of cost of capital, terminal growth, and long-term EBITDA margin, which yields an intrinsic value in the EUR250m to EUR300m range, as detailed in the two tables below:

Table 21: DCF-based EV sensitivity to WACC and terminal growth (EURm)

		Perpetual growth				
		1.5%	1.8%	2.0%	2.3%	2.5%
WACC	13.7%	255.9	258.2	260.6	263.1	265.7
	13.4%	262.0	264.5	267.0	269.7	272.5
	13.2%	268.5	271.1	273.8	276.7	279.6
	12.9%	275.2	278.0	280.9	284.0	287.1
	12.7%	282.3	285.3	288.4	291.6	295.0

Source: Kepler Cheuvreux

Table 22: DCF-based EV sensitivity to WACC and LT EBITDA margin (EURm)

		LT EBITDA margin				
		18.0%	19.0%	20.0%	21.0%	22.0%
WACC	13.7%	250.4	255.5	260.6	265.6	270.7
	13.4%	256.4	261.7	267.0	272.4	277.7
	13.2%	262.7	268.3	273.8	279.4	284.9
	12.9%	269.3	275.1	280.9	286.7	292.6
	12.7%	276.2	282.3	288.4	294.5	300.5

Source: Kepler Cheuvreux

Our peer valuation yields an EV of EUR202m

Our peer group is made up of five stocks:

1. **Avast:** A UK-based provider of cybersecurity. The company offers products in two segments: 1) Consumer; and 2) Small and Medium-sized business (SMB). It offers consumers personal computer antivirus security software under the Avast and AVG brands. The group's consumer products offer desktop security and mobile device protection and consist of free and premium paid products for the individual consumer market. It also focuses on monetising the user base indirectly via dynamic secure search solutions, including the browser toolbar, which gives users a convenient way to access a search engine at any time.

   Avast's SMB segment focuses on delivering high-level security and protection solutions for small and medium-sized business customers. It offers Cloud Backup, a backup and recovery solution that safeguards businesses' critical data and helps protect them from ransomware. It delivers integrated security by consolidating endpoint protection, patch management, backup and recovery, and remote access. The US (37%), the UK (10%), France (8%), and Germany (7%) are Avast's main countries based on end-user location (other countries are not disclosed, and no individual countries represent more than 5% of the respective totals).

2. **Wondershare Technology:** A China-based company that is mainly engaged in research and development and sales of consumer software, and also provides the appropriate technical support services. The company's consumer software products are mainly related to life, multimedia entertainment, and work, and are designed around individual and home consumer applications. The group's software products mainly involve three major categories: 1) classes; 2) cross-port data management classes; and 3) digital documents classes, such as media editing software, media management software, data recovery software, data-erasing software, document editing software, and document conversion software. Note that Wondershare's products can be applied to tablets, PCs, smartphones, and other application terminals. We could not find any disclosure on its geographic exposure.

3. **Kape Technologies:** A UK-based company that develops and distributes a variety of digital products in the online security space. The group utilises its digital distribution technology to optimise its reach and distribute its software products to consumers. It offers products that provide online security and privacy, and optimisation tools for the consumer system. The company operates two reportable segments: 1) Digital Security; and 2) Digital Privacy. The Digital Security segment comprises software and SaaS products offering security, endpoint protection, and PC performance. The company's Digital Privacy segment comprises virtual private network (VPN) solutions and other privacy SaaS products. The company is mainly exposed to Europe (62%), the US (29%), and Asia (9%).

4. **Fujian Foxit Software Development Joint Stock:** A China-based company engaged in providing PDF-related software and products. The group's primary products are PDF editors and readers, including Foxit PhantomPDF, Foxit Reader, and Foxit PDF Reader Mobile. Its products are applied in desktop computers, tablet computers, enterprise servers, smartphones, and other application terminals. The company also provides software development platforms and tools, including the Foxit PDF software development kit (SDK), to help programme developers embed Foxit Software PDF-related technologies into their own software products. Finally, Foxit provides enterprise document automation solutions, as well as PDF-related tools and online services. We could not find any disclosure on geographical exposure.

5. **Nitro Software:** An Australia-based global document productivity software company. Nitro is engaged in the provision of document productivity software, including PDF productivity, eSigning workflow, and analytics solutions, as well as associated maintenance and support services. The company's Nitro Productivity Suite comprises three products: 1) Nitro PDF Pro; 2) Nitro Sign; and 3) Nitro Analytics. The group offers its services to a range of industries, which include healthcare, manufacturing, energy, oil & gas, financial services, and professional services. Nevertheless, there is no geographical sales breakdown.

We believe EV/EBITDA is the most relevant multiple to use to value Avanquest. Note that our peer group is trading at respectively 21x and 16x EBITDA over 2022-23E. In the following table, we show the EV/sales multiples for comparison.

Table 23: Avanquest's peers – valuation multiples (1/2)

Company	Country	Curr.	Market cap (LCm)	EV/sales				EV/EBITDA			
				2021	2022E	2023E	2024E	2021	2022E	2023E	2024E
Avast	UK	GBPm	5,214	9.2x	**6.7x**	**6.0x**	-	16.6x	**12.6x**	**11.2x**	-
Wondershare	China	CNYm	3,884	3.4x	**2.9x**	**2.3x**	-	37.0x	**24.7x**	**16.2x**	-
Kape	UK	GBPm	1,226	5.9x	**1.8x**	**1.6x**	-	17.0x	**6.6x**	**5.7x**	-
Foxit	China	CNYm	4,193	8.9x	**5.4x**	**4.3x**	-	41.4x	**41.3x**	**31.7x**	-
Nitro	Australia	AUDm	324	6.8x	**2.5x**	**2.0x**	-	-	-	-	-
Peer group avg.				**6.9x**	**3.9x**	**3.3x**	-	**28.0x**	**21.3x**	**16.2x**	-
Avanquest (KECH estimates)	**France**	**EURm**	-	**3.1x**	**2.7x**	**2.3x**	-	**25.1x**	**18.0x**	**13.1x**	-

As of 18/05/22; Sources: Reuters, Kepler Cheuvreux

We present below the main metrics of our peer group (sales, EBITDA margin). We can see that Avanquest has a higher 2020-23E CAGR potential on our EBITDA estimates, but still a lower profitability than its peers.

Table 24: Avanquest's peers – valuation multiples (2/2)

Company	Country	Curr.	Market cap (LCm)	2020-23 CAGR		EBITDA margin		
				Sales	Adj. EBITDA	2021	2022E	2023E
Avast	UK	GBPm	5,214	6%	4%	55%	53.5%	53.8%
Wondershare	China	CNYm	3,884	21%	29%	9%	11.8%	14.4%
Kape	UK	GBPm	1,226	79%	72%	35%	27.5%	27.6%
Foxit	China	CNYm	4,193	16%	-	22%	13.1%	13.7%
Nitro	Australia	AUDm	324	30%	44%	-	-	-
Peer group average				**30%**	**37%**	**30.3%**	**26.5%**	**27.4%**
Avanquest (KECH estimates)	**France**	**EURm**	-	**10%**	**43%**	**12.4%**	**15.2%**	**17.6%**

As of 18/05/22; Sources: Reuters, Kepler Cheuvreux

To derive Avanquest's implied intrinsic value we use the EV/EBITDA multiples of our peer sample over 2022-23E, then apply them to Avanquest's metrics, and average our results.

We present our detailed calculations below.

Table 25: Our peer valuation yields an EV of EUR205m

	EV/EBITDA			
	2021	2022E	2023E	2024E
Peer group average	28.0x	**21.3x**	**16.2x**	-
Avanquest's metrics	10.9	15.2	20.9	-
Implied EV - Avanquest	305.2	**319.5**	**292.8**	-
(-) Minorities	0.0	0.0	0.0	-
Implied EV - Avanquest (Claranova share)	305.2	**319.5**	**292.8**	-
Implied EV - Avanquest (Claranova share) discounted back	-	**319.5**	**258.8**	-
Average EV - Avanquest (Claranova share) discounted back	**289.1**			
Discount applied given lower EBITDA margin, smaller size	*30%*			
EV - Avanquest (Claranova share) post-discount	**202.4**			

Sources: Reuters, Kepler Cheuvreux

Note that we opt for a 30% discount to derive Avanquest's implied EV to reflect its lower margins and smaller size. On average, the group exhibits an EBITDA margin differential of c. 11pps over 2022-23E. To provide a complete overview, we provide below a scenario analysis with different discounts applied.

Table 26: EV sensitivity to discount (EURm)

Discount applied	Avanquest's implied EV (based on the average EV/EBITDA multiples over 2022-23E)
10%	260.2
20%	231.3
30%	**202.4**
40%	173.5
50%	144.6

Source: Kepler Cheuvreux

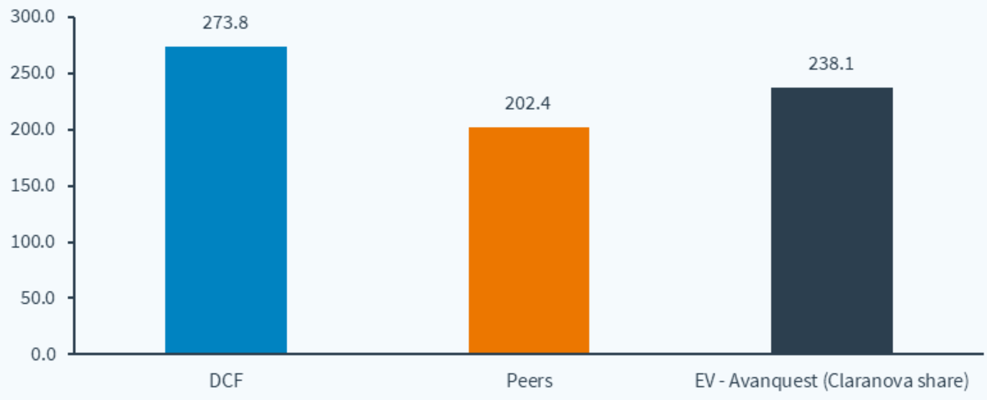
Our EUR238m EV is based on the rounded average of our DCF (EUR274m) and peer valuation (EUR202m).

Table 27: Sum of our two valuation methods: DCF and peers (EURm)

EURm	EV Avanquest (100% owned)	Weight
DCF	273.8	50%
Peers	202.4	50%
EV - Avanquest (Claranova share)	**238.1**	**100%**

Source: Kepler Cheuvreux

Chart 76: We derive a EUR238m EV, based on our DCF (EUR274m) and peer valuation (EUR202m)



Source: Kepler Cheuvreux

myDevices: EV of EUR10m based on historical M&A transactions

We value myDevices's EV based on past M&A transactions in the sector, as we believe this is the most pertinent method given the young age of the industry and myDevices' still unprofitable business.

We have identified three main transactions that we believe could be used to value myDevices:

1. **Haxiot**, which posted USD5.9m revenues in 2020 (source: Owler), was acquired by Digi International in March 2021 for USD13m (USD7.1m in cash on completion and USD5.9m contingent consideration), or an EV/sales of 2.2x.
2. **Cumulocity**, which posted EUR4.3m in revenues in 2016, was acquired by Software AG in 2017 for EUR49.4m or EV/sales of 11.5x.
3. **ThingWorx**, which posted estimated revenues of USD5-7m in 2013, was acquired by PTC in 2013 for USD130m (USD112m in cash on completion and USD18m contingent consideration) or EV/sales of 18-26x.

Note that we take the average EV/sales multiples of Haxiot and Cumulocity, excluding the ThingWorx deal in our peer group given the very high acquisition multiple (EV/sales of 22x on average). Taking this ratio would have excessively distorted our peer group multiple, and we do not think that it represents a fair valuation.

We have decided to apply a 6.9x EV/sales ratio to our 2022E sales forecasts, and then apply a 40% discount to reflect myDevices' smaller size versus peers and to smooth the M&A premium, given that we only use past transactions to value myDevices.

Below we detail myDevices' implied EV calculation.

Table 28: Our past transaction multiple method yields an EV of EUR10m

	Haxiot	Cumulocity	ThingWorx
EV/sales multiples	**2.2x**	**11.5x**	**22.0x**
Average	**11.9x**		
Average excluding ThingWorx	**6.9x**		
Applying the above average EV/sales multiple to KECH myDevices' sales estimates in 2022E			
	2022E		
KECH myDevices sales estimates	**4.1**		
EV - myDevices	**28.1**		
(-) Minorities	-10.9		
EV - myDevices (Claranova's share; 61% owned)	**17.1**		
Discounted back	**17.1**		
EV - myDevices pre-discount (Claranova's share; 61% owned)	**17.1**		
Discount given the size of myDevices (only EUR1m revenues) and the M&A premium	*40%*		
EV – myDevices post-discount (Claranova's share; 61% owned)	**10.3**		

Source: Kepler Cheuvreux

As for Avanquest, we provide below a scenario analysis with different discounts applied.

Table 29: EV sensitivity to discount (EURm)

Discount applied	EV myDevices (EV/sales 2022E)
20%	13.7
30%	12.0
40%	**10.3**
50%	8.6
60%	6.8

Source: Kepler Cheuvreux

Risks to our rating

The main risks to our Buy rating and EUR6 TP include the following:

- **Normalisation post-pandemic and macroeconomic risks:** Like many consumer technology stocks, Claranova benefited from Covid, as consumers were buying more photos (they were unable to see relatives, friends, etc.) and essentially made these purchases online. This trend has normalised since then, which has thus impacted the sector. Conversely, myDevices has been hampered by the pandemic, given its high exposure to the hospitality and catering sectors, and its operations should normalise with the reopening of economies. That said, this activity remains marginal at the group level, and its contribution is set to stay small in the short term. Ultimately, the poor macroeconomic environment since the beginning of the year has also weighed on Claranova's share price, given its high beta.

- **New Apple Privacy Policy with iOS 14.5+ launch in April 2021:** Recently, PlanetArt has also suffered from the release of iOS 14.5+, which limits customer data collection and results in less accurate ad targeting and less transparent conversion measurements, explaining the decline this year. PlanetArt primarily uses Facebook ads to target customers, as it is cheap and has tremendous reach, and it is this social media platform that has been hardest hit by Apple's stricter policy. A failure to offset a large part of this shortfall could lead to slower top-line growth in the short term.

- **Competition and client stickiness:** Claranova operates in competitive markets characterised by rapidly changing technology and frequent launches of new products and services. In this context, the technical, development, and marketing resources of some of Claranova's competitors may exceed those available to the group.

    1. For instance, for mobile printing applications, established competitors in the personalised products printing sector (Shutterfly, CEWE) are able to deploy significant marketing/technical investments. New competitors could exercise pressure on prices and lead to market share erosion as well as negatively affect the volume of repeat business should some customers switch to competing offers.

    2. In the software publishing and distribution sector, Claranova operates in a mature market where powerful competitors are willing to invest more in marketing to achieve

market dominance. Also, the group must anticipate technological/business developments to satisfy market demands.

3. In the IoT division, the company has a number of large competitors (PTC, ATOS, IBM, Software AG) seeking to position themselves in this buoyant emerging market, each with their own specific approach (custom products, services, etc.) and considerable financial resources.

All in all, an increase in competition in the three group segments could alter future organic growth and/or lead to margin pressure.

- **M&A and integration risks:** Claranova has been built up through several acquisitions. While its track record is solid in this area, we cannot rule out potential dilutive acquisitions, and execution and integration risks in the event of M&A.
- **Profitability:** Our forecasts are based on continuous revenue momentum, albeit normalising post-pandemic, and an improvement in margins in all divisions. If profitability were to remain at the current levels, our investment case would be at risk. This stagnation might be caused by a lack of top-line growth, margin pressure from marketing, and/or more investments than expected.
- **Departure of top management:** The departure of key people in the company, notably Pierre Cesarini, could jeopardise Claranova's roadmap and 2023 targets.
- **Failure to attract new institutional investors:** Claranova's capital is still dominated by retail investors, even after the recent arrival of Heights Capital Management and Ophir Asset Management. A failure to attract new anchored institutional investors in the capital could prevent the stock from re-rating and converging towards its fundamental value.

ESG profile: Claranova

ESG Research from Kepler Cheuvreux

France | IT services & software | MCap: EUR 135.2m

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ESG Highlights: *Not very carbon-intensive, but not exemplary*

- **Governance:** Claranova is an independent company and the interests of all of its shareholders are safeguarded by the diversified board of directors' structure.
- **Environment:** Due to the nature of its activities, Claranova does not pollute much, but the group is not taking any measures to reduce its impact, nor has it initiated any activities that would have a positive impact.
- **Social:** Claranova seems to offer its employees good working conditions, but there is a lack of precise figures to confirm this statement. Moreover, we are surprised by the very limited amount of training it provides for its employees, given the sector in which it operates.

Thematic focus

Information on our ESG methodology

Governance

Board

Claranova is a *Societas Europaea* with a one-tier board system.

Board of directors

The board of directors, chaired by Pierre Cesarini, is composed of eight members (seven after accounting for Pierre-Yves Quentel's resignation), of whom 75% are independent (six), and 37.5% are women (three). Hence, the board of directors complies with the recommendations set out in the Middlenext Corporate Governance Code for small and mid-cap companies, but not with the requirements of French commercial law in terms of diversity (<40%).

In our view, the composition of the board is appropriate to support the development of Claranova, since some directors are also managers of service companies and have held senior positions within the telecommunication and IT sectors. However, we note that since 13 December 2018, Claranova's executive management team has been headed by the chair of the board of directors, which may limit the balance of power in strategic decision-making processes. Pierre Cesarini currently holds both positions.

Claranova also benefits from three specialised committees

- The Appointments and Compensation Committee, which is responsible for examining and expressing its opinion on all compensation of corporate officers and senior executives, in particular the definition of criteria used to calculate variable compensation and the grant of profit-sharing instruments. It is chaired by Viviane Chaine-Ribeiro.
- The Audit Committee, which is responsible for the monitoring of all matters related to the preparation and control of accounting and financial information. It is chaired by Christine Hedouis.
- The Strategic Committee, which is responsible for examining the group's strategy (in particular, the medium- and long-term growth strategy) and for assessing its financial and commercial performance. It is chaired by Jean-Loup Rousseau.

These three specialised committees all include independent board members.

Remuneration

Between FY 2019/20 and FY 2020/21 the company's EBITDA has increased by c.175% and on the same period the Chairman-CEO's total compensation has increased by c.0.8%.

Using amounts paid or due it looks like the CEO pay is misaligned but we do not think this is the full picture.

If we include his compensation of EUR1.7m for giving up the free share award, the misalignment is reduced. We think the opportunity to invest directly in the Avanquest subsidiaries should also be seen in the context of the CEO's overall benefits compared to

the rise in EBITDA.

Table 30: Chairman-CEO and deputy CEO compensation – amounts using paid or due available on last financial report

	Amount due in 2020/21	
	Pierre Cesarini Chairman-CEO	**Jean-Yves Quentel* Deputy CEO**
Fixed compensation	EUR280,000	EUR150,000
Other bonuses, allowances and benefits in kind	EUR126,330	EUR1,191
Variable compensation	EUR339,800	EUR100,872
Fees	EUR50,000	-
Exceptional compensation	-	-
Compensation as a member of the board of directors	EUR20,000	-
Total compensation	**EUR816,130**	**EUR252,063**

*Jean-Yves Quentel has now resigned from his position; Sources: Claranova, Kepler Cheuvreux

Pierre Cesarini's variable compensation for FY 2020/21 was EUR350,000, or EUR413,000 should the targets be exceeded. For FY 2020/21, the targets were:

- Revenue for 20% of overall variable compensation.
- EBITDA for 20%.
- Cash flow for 20%.
- Development of the shareholder base, streamlining of the group's legal structure, and certain corporate development objectives for 40%.

Yves Quentel's variable compensation for FY 2020/21 was EUR100,000, or EUR114,000 should the targets be exceeded. For FY 2020/21 the targets were:

- Revenue for 16% of overall variable compensation.
- EBITDA for 16%.
- Cash flow for 16%.

Development of the shareholder base, streamlining of the group's legal structure, and certain corporate development objectives for 52%.

Unfortunately, Claranova does not disclose the quantitative targets set for each criterion.

In addition to that, the chairman-CEO Pierre Cesarini benefits from an opportunity to invest in Claranova's subsidiaries Avanquest Software SAS and Avanquest America Holding LLC, under the oversight of the board of directors. This investment opportunity is subject to the following rules:

- His investment in the share capital of the subsidiaries may not exceed, immediately or in the future, 10% of each subsidiary's share capital;
- The securities issued to him, which may be options or preferred shares (or equivalent securities in the case of foreign subsidiaries), are subscribed to under market terms and conditions and at market values;
- The securities issued and subscribed to by him are subject to strict administration and provision rules to ensure the absence of any conflicts of interest between the company and the chairman-CEO and that the company may continue to freely manage and make use of his investments.

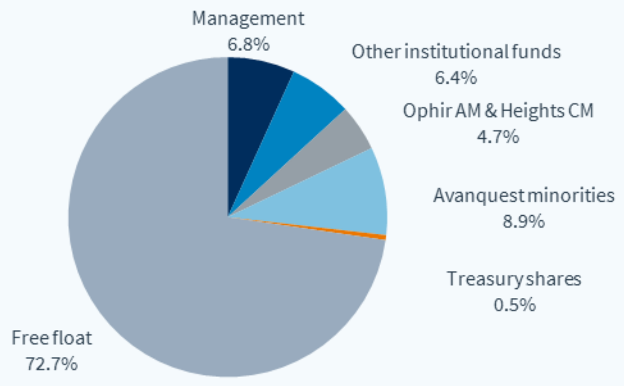
This option to invest in the company's subsidiaries has been established since FY 2020/21. Until FY 2018/19, the chairman-CEO benefited from a gratis share plan. He renounced this and received EUR1.7m in return.

Between FY 2019/20 and FY 2020/21, the company's EBITDA increased by c. 175% and over the same period the chairman-CEO's total compensation increased by c. 0.8%.

Shareholder rights alignment

Claranova is an independent company. The interests of all of its shareholders are ensured by the diversified board of directors' structure.

Chart 77: Claranova's shareholding structure



Sources: Claranova, Kepler Cheuvreux

Only three shareholders hold more than 2% of the company:

- The Assouline Family Trust is the main shareholder with 5.86% of the capital.
- Pierre Cesarini (group CEO and chairman) owns 5.57% of the capital.
- The Dadoun Family Trust holds 2.64% of the capital.

The interests of these shareholders are safeguarded through:

- The existence of a shareholder voting agreement between the Assouline Family Trust, the Dadoun Family Trust, and two other shareholders, which together hold a total of 8.92% of the company's capital and 8.58% of the voting rights.

The free float represents about 72.7% of the share capital. Minority shareholders' interests are properly reflected by the presence of six independent directors on the board.

One voting right is attached to each share in the share capital. Double voting rights are attached to all shares held in registered form for more than two years as well as to registered shares allocated as bonus shares to a shareholder in the event of a capital increase through capitalising reserves, profits, or issue premiums.

As a side note, we would mention that Pierre Cesarini is entitled to invest up to a limit of 10% of the shares in the Avanquest subsidiaries. This is not an opportunity open to other investors.

Integrity/quality of reporting

In our view, Claranova's reporting is satisfactory and has been consistent over the years. Revenue recognition depends on the nature of the products/services sold to customers (i.e. sales of software licences, monetising traffic, digital printing activities, connected devices, and management activities) and the way in which control is transferred. The group recognises a contract with a customer when an agreement exists that has commercial substance, creates legally enforceable rights and obligations, includes payment terms, and for which collection of the consideration due from the customer is probable. Revenue is recognised when control of a product or service is transferred to a customer for an amount that reflects the consideration to which the group expects to be entitled in exchange for it.

To our knowledge, the company does not capitalise its R&D; therefore, it does not have a dilutive impact on the margin. Intangible assets (software development, licences/patents, customer base) are amortised over their useful lives, which do not exceed five years for software and customer bases, ten years for patents, and 15 years for licences. In FY 2020/21, the amortisation expenses for intangible assets amounted to EUR18.1m (mainly development costs and software; 3-4% of sales).

Business ethics

In 2021, Claranova adopted new purchasing procedures to comply with the law establishing an obligation to perform due diligence and the French Sapin II law. The group has also implemented a whistleblowing policy with an external framework to help employees report corruption, if this should become necessary.

Environment

How does the company manage its own footprint?

Due to the nature of its activities, Claranova does not pollute much, but the group is neither taking any actions to reduce its impact nor taking positive impact measures.
As an IT services and software company, Claranova does not operate in a carbon-intensive industry and does not sell toxic products. The group considers that its environmental impact is largely indirect and comes from its production and shipping subcontractors.

Bear in mind that PlanetArt, the main subsidiary of Claranova, is operating through a fabless model, meaning that it outsources the production of its photo-related and personalised e-commerce products; while Avanquest and myDevices are focused on software and IoT platform.

Most peers own their own fabric and therefore have more direct exposure to CO2 emissions. That said, many PlanetArt's competitors went public recently and therefore do not offer a long track record on sustainability matter. Based on our research, CEWE (fully carbon-neutral by 2045) and Moonpig (net zero carbon emissions by 2030, IPO February 2021) provide emission targets reduction; while Desenio (IPO in February 2021) does not provide any. We believe the differential between CEWE and Moonpig's time horizon can be explained the shift towards an hybrid model at Moonpig (in-house production, but also outsourcing). From our point of view, CEWE seems the more committed player of the industry in terms of sustainability. The company CEWE has been reporting transparently on progress made in its sustainability management since as early as 2010, and in 2020, it already achieved its own 2025 climate targets. For the record, its carbon emissions (scope 1 and 2) were reduced to almost half of the 2015 emissions.

Nevertheless, on its side, Claranova recognises that is has – like every company – the duty to find solutions to reduce its impact, no matter how small it may be today.

Claranova has not established an environmental policy and does not measure its emissions. The group only provides data concerning emissions from employee travel:

Table 31: CO2 emissions related to professional travel

	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Emissions in thousand kilograms of CO2	239	180	162	295	160	5

Sources: Claranova, Kepler Cheuvreux

The group states that the strong decline in transport-related CO2 emissions between 2019 and 2021 was due to Covid-19-related travel restrictions. It now plans to favour video conferences over in-person meetings, and train travel over air travel when possible.

The group highlights that the vast majority of its digital content is hosted by Amazon Web Services' servers that are powered by renewable electricity only.

Positive climate change impact

Claranova has not established a positive climate change policy.

Social

Health & safety

Claranova has established measures to ensure its employees' well-being and safety. These appear to have been effective to date.

The company's health and safety policy is underpinned by a prevention strategy. Specialised committees have been set up in France and in the US to assess the health risks associated with each position and to monitor them. In Germany, a specific health and safety officer has been appointed to perform this duty.

Claranova's health and safety policy also covers psychological risks, especially since the beginning of the COVID-19 pandemic in early 2020.

All full-time employees are provided with an insurance plan.

Table 32: Workplace accident frequency rate

	2018/19	2019/20	2020/21
Frequency rate	0	1.72	0

Frequency rate = (no. of accidents/hours worked) x 1,000,000; Sources: Claranova, Kepler Cheuvreux

In Canada, the company provides all of its employees with services from an external well-being company. This provider offers mental, physical, and social coaching alongside five sessions per employee per year with psychologists, lawyers, dieticians, etc. The company also reimburses its employees for a part of their sports club membership.

Working conditions

Claranova appears to offer its employees good working conditions, but there is a lack of precise figures to confirm this statement.

More than 86% of Claranova's workforce is located in the US, Canada, and the EU. The regulations in these regions ensure that workers are provided with decent conditions. However, almost 14% of the company's workforce is located in China, and we have not been provided with specific information regarding working conditions offered to employees there.

Overall, the company seems to promote equal gender opportunities, as women currently represent 44% of its workforce (as of 30 June 2021) versus 42% in 2019/20. Claranova encourages parents to work from home occasionally to help them in their role as parents.

Claranova states that it does not tolerate any inequality in treatment based on discrimination (in accordance with the French Labour Code).

The company appears to be very conservative regarding remote working. Excluding the special measures taken following the outbreak of the Covid-19 pandemic, only 1% of Claranova's employees work from home for part of the time. The company states that employees of the German subsidiary are allowed to work from home once a week, and that the French subsidiary's employees should work from home only occasionally. The group has not disclosed whether it will allow its employees to work remotely more widely in the future or if all employees are expected to be back on-site after the end of the pandemic.

According to the company's last annual report, the average number of training hours per employee does not represent a normal year given the pandemic. However, past universal registration documents tell us that the average number of training hours per employee was three in 2017/18 and four and a half in 2016/17. We find it surprising that this number has been constantly decreasing over the past four years, as the company operates in an ever-changing sector.

Table 33: Employees' training at Claranova

	2016/17	2017/18	2018/19	2019/20	2020/21
Number of training hours	284	145	82	855	885
Average number of training hours per employee	4.5	3	2	3	2.8

Sources: Claranova, Kepler Cheuvreux

Product responsibility

As an IT services company, Claranova's exposure to product recalls or controversies is very limited. Its primary challenge is to ensure its clients' data security.

In order to do this, the company trained all of its employees in 2020/21 about data protection in their respective areas.

In Europe, the company continually audits its software and websites to make sure that they comply with European and international privacy regulations. Moreover, Claranova's subcontractors that need to access customers' data comply with the General Data Protection Regulation (albeit some of them are still being audited).

Every Claranova subsidiary is responsible for the data of its customers, and therefore is obliged to set up processes to ensure its protection. That includes intrusion tests on group websites that incorporate payment systems, the encryption of databases, and implementation of personal data security tools and informing employees of their own rights regarding personal data protection.

In addition, Claranova has appointed a dedicated GDRP online team that answers clients' questions about personal data processing within the stipulated regulatory timeframe.

Human rights and local communities

Claranova is committed to locally assisting deprived populations.

The company's subsidiaries take action locally by partnering with community-based organisations.

In the US, the group's subsidiary myDevices organises a food drive at the end of each year. This

	initiative is driven by voluntary employees and contributes to supporting local food banks. ▪ In Canada, Avanquest has partnered with Ometz, a local agency, to provide recruitment training, immigration support, and services. Avanquest also donated 50 new computers to disadvantaged children in 2020/21 and is a member of the Children's Dream Foundation, which raises funds to help children who suffer from cancer to realise their dreams.
Supply chain	**Claranova's suppliers are mainly printers, software developers, and logistics services providers.** The group ensures that its suppliers comply with the General Data Protection Regulation through various audits. When possible, local suppliers are preferred. Claranova also aims to implement ESG criteria in its suppliers' selection process. So far, the majority of the paper sold by the group's subsidiaries Avanquest and PlanetArt for photo printing in Europe are FSC certified. For many years, Claranova has relied on an organisation called *Association des Papillons Blancs des Rives de Seine* for the packaging of its French branch of Avanquest. This association employs disabled people and gives them an opportunity to better integrate into society.

Valuation table

Market data as of: 19 May 2022

FY to 30/06 (EUR)	06/15	06/16	06/17	06/18	06/19	06/20	06/21	06/22E	06/23E	06/24E
Per share data (EUR)										
EPS adjusted	-0.38	-0.05	-0.02	0.00	0.23	0.15	0.39	0.28	0.52	0.74
% Change	+chg	+chg	+chg	+chg	6354.5%	-34.4%	160.1%	-28.1%	85.6%	42.3%
EPS adjusted and fully diluted	-0.38	-0.05	-0.02	0.00	0.23	0.15	0.39	0.26	0.48	0.68
% Change	+chg	+chg	+chg	+chg	6610.2%	-34.4%	162.0%	-33.5%	85.6%	42.3%
EPS reported	-0.11	-0.08	-0.03	-0.02	-1.04	0.01	0.27	0.17	0.40	0.61
% Change	+chg	+chg	+chg	+chg	-chg	+chg	1992.3%	-36.7%	135.3%	52.7%
EPS Consensus								0.34	0.53	0.54
Cash flow per share	-0.23	-0.03	0.00	0.01	0.18	0.75	0.48	0.44	0.68	0.90
Book value per share	0.51	0.01	0.00	0.03	1.34	1.29	1.70	2.27	2.66	3.27
DPS	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)	375.0	375.3	375.3	393.6	39.4	39.4	39.7	46.0	46.0	46.0
Nbr of shares, fully diluted, YE (m)	375.0	375.3	375.3	416.6	40.1	40.1	40.1	50.2	50.2	50.2
Share price										
Latest price / year end	1.1	1.1	4.5	8.7	7.8	5.1	6.7	2.9	2.9	2.9
52 week high	11.0	1.3	5.1	11.5	11.2	9.3	8.8	7.9		
52 week low	1.1	0.7	1.0	3.9	5.2	3.0	5.0	2.9		
Average price (Year)	6.5	1.0	2.4	6.9	7.9	6.8	6.7	2.9	2.9	2.9
Enterprise value (EURm)										
Market capitalisation	2,419.6	363.4	911.9	2,727.7	311.2	269.0	265.1	135.2	135.2	135.2
Net financial debt	-23.9	-9.8	-16.0	-37.5	-23.6	-10.9	-22.2	22.4	2.3	-32.7
Pension provisions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
IFRS 16 debt	0.0	0.0	0.0	0.0	0.0	7.2	4.4	4.4	4.4	4.4
Market value of minorities	0.0	0.0	96.6	392.8	65.1	62.2	64.1	22.1	19.0	15.9
MV of equity affiliates (net of tax)	-3.0	-0.7	-0.4	-0.4	-0.6	-0.7	-0.7	-0.7	-0.7	-0.7
Others	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Enterprise value	2,392.7	352.9	992.1	3,082.6	352.0	326.9	310.7	183.4	160.2	122.0
Valuation										
P/E adjusted	na	na	na	na	34.4	45.3	17.0	10.4	5.6	4.0
P/E adjusted and fully diluted	na	na	na	na	35.0	46.1	17.2	11.4	6.1	4.3
P/E consensus								8.6	5.5	5.4
P/BV	12.8	na	na	na	5.9	5.3	3.9	1.3	1.1	0.9
P/CF	na	na	na	na	43.6	9.1	14.0	6.6	4.3	3.3
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%	0.0%	0.0%
FCF yield (%)	-0.7%	-3.4%	-0.1%	0.2%	1.5%	10.5%	5.7%	11.4%	18.9%	25.9%
ROE (%)	-145.0%	-118.6%	-408.1%	20.4%	27.6%	11.4%	26.2%	15.1%	21.2%	25.1%
ROIC (%)	-86.8%	na	na	na	196.3%	10.5%	39.2%	14.8%	18.4%	27.0%
EV/Sales	25.70	3.01	7.62	19.09	1.34	0.80	0.66	0.38	0.29	0.20
EV/EBITDA adj.	na	na	na	na	22.0	18.7	9.1	5.1	3.3	2.1
EV/EBIT adj.	na	na	na	na	24.6	24.4	10.6	5.9	3.6	2.3
EV/NOPAT	na	na	na	na	22.4	67.1	13.5	11.9	6.0	3.2
EV/IC	na	na	na	na	9.0	6.0	4.9	1.3	1.1	0.9
ROIC/WACC	na	na	na	na	14.9	0.8	3.0	1.1	1.4	2.1
EV/IC over ROIC/WACC	na	na	na	na	0.6	7.6	1.6	1.1	0.8	0.4

Income statement

FY to 30/06 (EUR)	06/15	06/16	06/17	06/18	06/19	06/20	06/21	06/22E	06/23E	06/24E
Sales	**93.1**	**117.4**	**130.2**	**161.5**	**262.3**	**409.1**	**471.9**	**484.8**	**543.1**	**597.7**
Gross profit	61.8	72.7	87.8	107.8	191.1	282.9	322.3	331.1	373.1	412.4
EBITDA reported	-11.5	-11.2	-5.0	3.8	16.0	17.5	34.2	35.8	49.0	58.8
EBITDA adjusted	**-11.5**	**-11.2**	**-5.0**	**3.8**	**16.0**	**17.5**	**34.2**	**35.8**	**49.0**	**58.8**
Depreciation and amortisation	-2.9	-5.4	-0.8	-0.5	-2.0	-7.2	-8.6	-8.7	-9.2	-9.6
Goodwill impairment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other financial result and associates	18.6	-9.5	-4.3	-9.5	-2.6	-2.5	-0.8	-1.0	-1.1	-1.2
EBIT reported	4.2	-26.1	-10.1	-6.2	11.4	7.8	24.8	26.1	38.7	48.0
EBIT adjusted	**-11.4**	**-16.1**	**-10.6**	**-3.8**	**14.3**	**13.4**	**29.2**	**30.9**	**44.2**	**54.0**
Net financial items	-0.8	-0.1	0.0	0.0	-48.3	-3.2	-4.1	-6.1	-5.6	-5.1
Associates	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Others	1.9	-1.6	-0.9	-0.3	-0.8	-1.3	-2.7	-2.7	-2.7	-2.7
Earnings before tax	5.3	-27.8	-11.0	-6.5	-37.7	3.3	18.0	17.3	30.4	40.2
Tax	-0.6	-0.8	-0.4	-1.8	-3.7	-2.1	-3.8	-8.6	-12.2	-12.1
Net profit from continuing op.	4.7	-28.6	-11.4	-8.3	-41.4	1.2	14.2	8.6	18.3	28.1
Net profit from disc. activities	-3.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net profit before minorities	1.5	-28.6	-11.4	-8.3	-41.4	1.2	14.2	8.6	18.3	28.1
Minorities	-8.1	0.0	0.3	0.2	0.6	-0.7	-3.7	-0.9	-0.1	-0.5
Net profit reported	**-6.5**	**-28.6**	**-11.0**	**-8.1**	**-40.8**	**0.5**	**10.5**	**7.7**	**18.1**	**27.7**
Adjustments	-15.6	10.0	4.3	9.5	49.8	5.4	4.9	5.1	5.7	6.3
Net profit adjusted	**-22.1**	**-18.6**	**-6.7**	**1.4**	**9.0**	**5.9**	**15.4**	**12.9**	**23.9**	**33.9**
Sales % Change	8.7%	26.1%	10.9%	24.0%	62.4%	56.0%	15.4%	2.7%	12.0%	10.0%
EBITDA reported % Change	-chg	+chg	+chg	+chg	321.1%	9.4%	95.4%	4.6%	37.1%	19.8%
EBITDA adjusted % Change	-chg	+chg	+chg	+chg	321.1%	9.4%	95.4%	4.6%	37.1%	19.8%
EBIT reported % Change	+chg	-chg	+chg	+chg	+chg	-31.6%	217.9%	5.1%	48.5%	23.9%
EBIT adjusted % Change	-chg	-chg	+chg	+chg	+chg	-6.3%	117.9%	5.9%	42.8%	22.2%
Earnings before tax % Change	+chg	-chg	+chg	+chg	-chg	+chg	445.5%	-3.9%	75.9%	32.0%
Net profit from cont. op. % Change	+chg	-chg	+chg	+chg	-chg	+chg	1083.3%	-39.1%	111.1%	54.0%
Net profit reported % Change	+chg	-chg	+chg	+chg	-chg	+chg	2000.0%	-26.6%	135.3%	52.7%
Net profit adjusted % Change	-chg	+chg	+chg	+chg	542.9%	-34.4%	161.0%	-16.5%	85.6%	42.3%
Gross profit margin (%)	66.4%	62.0%	67.4%	66.7%	72.9%	69.2%	68.3%	68.3%	68.7%	69.0%
EBITDA margin (%)	-12.4%	-9.5%	-3.8%	2.4%	6.1%	4.3%	7.2%	7.4%	9.0%	9.8%
EBIT margin (%)	-12.3%	-13.7%	-8.1%	-2.4%	5.5%	3.3%	6.2%	6.4%	8.1%	9.0%
Net profit margin (%)	-23.8%	-15.8%	-5.2%	0.9%	3.4%	1.4%	3.3%	2.7%	4.4%	5.7%
Tax rate (%)	10.9%	-2.7%	-3.6%	-27.7%	-9.8%	63.6%	21.1%	50.0%	40.0%	30.0%
Payout ratio (%)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
EPS reported (EUR)	-0.11	-0.08	-0.03	-0.02	-1.04	0.01	0.27	0.17	0.40	0.61
EPS adjusted (EUR)	-0.38	-0.05	-0.02	0.00	0.23	0.15	0.39	0.28	0.52	0.74
EPS adj and fully diluted (EUR)	-0.38	-0.05	-0.02	0.00	0.23	0.15	0.39	0.26	0.48	0.68
DPS (EUR)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
DPS,preference shares (EUR)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
EPS reported % Change	+chg	+chg	+chg	+chg	-chg	+chg	1992.3%	-36.7%	135.3%	52.7%
EPS adjusted % Change	+chg	+chg	+chg	+chg	6354.5%	-34.4%	160.1%	-28.1%	85.6%	42.3%
EPS adj and fully diluted % Change	+chg	+chg	+chg	+chg	6610.2%	-34.4%	162.0%	-33.5%	85.6%	42.3%
DPS % Change										
Consensus Sales (EURm)								491.3	552.2	594.8
Consensus EBITDA (EURm)								37.0	46.4	51.6
Consensus EBIT (EURm)								29.9	39.1	43.7
Consensus EPS (EUR)								0.34	0.53	0.54

Cash flow statement

Market data as of: 19 May 2022

FY to 30/06 (EUR)	06/15	06/16	06/17	06/18	06/19	06/20	06/21	06/22E	06/23E	06/24E
Net profit before minorities	1.5	-28.6	-11.4	-8.3	-41.4	1.2	14.2	8.6	18.3	28.1
Depreciation and amortisation	4.0	10.8	0.1	0.5	2.3	7.3	10.3	8.7	9.2	9.6
Goodwill impairment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Change in working capital	0.4	2.5	6.8	7.9	-4.1	22.5	-4.4	2.9	3.5	3.3
Others	-19.4	3.9	4.1	4.9	50.3	-1.6	-1.3	0.0	0.0	0.0
Levered post tax CF before capex	**-13.4**	**-11.4**	**-0.4**	**5.0**	**7.1**	**29.4**	**18.8**	**20.3**	**31.0**	**41.0**
% Change	-chg	+chg	+chg	+chg	42.0%	314.1%	-36.1%	7.7%	53.2%	32.1%
Capex	-4.4	-0.9	-0.2	-0.1	-2.5	-1.2	-3.8	-4.8	-5.4	-6.0
Free cash flow	**-17.8**	**-12.4**	**-0.5**	**4.9**	**4.6**	**28.2**	**15.0**	**15.4**	**25.6**	**35.0**
% Change	-chg	+chg	+chg	+chg	-6.1%	513.0%	-46.8%	2.7%	66.1%	36.8%
Acquisitions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-88.7	-5.5	0.0
Divestments	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Dividend paid	0.0	2.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Share buy back	0.0	-2.9	1.9	0.0	-1.9	0.0	0.0	0.0	0.0	0.0
Capital increases	33.2	-2.2	0.0	2.0	0.5	0.0	2.4	28.7	0.0	0.0
Others	1.1	-3.9	4.7	41.8	6.1	-20.0	-11.6	0.0	0.0	0.0
Change in net financial debt	**-16.6**	**19.2**	**-6.1**	**-48.7**	**-9.3**	**-8.2**	**-5.8**	**44.6**	**-20.1**	**-35.0**
Change in cash and cash equiv.	19.9	-19.4	6.0	48.6	9.7	7.4	7.7	-21.0	20.1	35.0
Attributable FCF	-17.8	-12.4	-0.5	4.9	4.6	28.2	15.0	15.4	25.6	35.0
Cash flow per share (EUR)	-0.23	-0.03	0.00	0.01	0.18	0.75	0.48	0.44	0.68	0.90
% Change	-chg	+chg	+chg	+chg	1325.8%	314.1%	-36.3%	-7.1%	53.2%	32.1%
FCF per share (EUR)	-0.31	-0.03	0.00	0.01	0.12	0.72	0.38	0.34	0.56	0.77
% Change	-chg	+chg	+chg	+chg	842.6%	513.0%	-47.0%	-11.5%	66.1%	36.8%
Capex / Sales (%)	4.7%	0.8%	0.1%	0.1%	1.0%	0.3%	0.8%	1.0%	1.0%	1.0%
Capex / D&A (%)	151.0%	17.2%	20.3%	20.0%	125.0%	16.7%	44.2%	55.6%	58.8%	62.5%
Cash flow / Sales (%)	-14.4%	-9.7%	-0.3%	3.1%	2.7%	7.2%	4.0%	4.2%	5.7%	6.9%
FCF / Sales (%)	-19.1%	-10.5%	-0.4%	3.0%	1.8%	6.9%	3.2%	3.2%	4.7%	5.9%
FCF Yield (%)	-0.7%	-3.4%	-0.1%	0.2%	1.5%	10.5%	5.7%	11.4%	18.9%	25.9%
Unlevered FCF Yield (%)	-0.7%	-3.5%	0.0%	0.2%	1.6%	9.1%	5.8%	10.0%	18.0%	31.5%

Balance sheet

FY to 30/06 (EUR)	06/15	06/16	06/17	06/18	06/19	06/20	06/21	06/22E	06/23E	06/24E
Cash and cash equivalents	30.5	11.1	17.1	65.7	75.4	82.8	90.5	69.5	89.6	124.6
Inventories	5.9	5.0	3.7	3.7	4.8	14.4	16.1	14.5	16.3	17.9
Accounts receivable	4.8	4.7	4.3	4.9	11.6	9.9	9.2	14.5	16.3	17.9
Other current assets	6.9	4.7	2.9	4.8	9.1	9.2	12.7	13.0	14.6	16.1
Current assets	**48.0**	**25.5**	**28.0**	**79.1**	**100.9**	**116.3**	**128.5**	**111.6**	**136.8**	**176.6**
Tangible assets	0.6	0.5	0.3	0.2	1.4	15.7	12.2	37.6	38.2	37.1
Goodwill	4.8	0.0	0.0	0.0	63.0	61.7	64.4	64.4	64.4	64.4
Other Intangible assets	7.3	1.5	0.9	0.5	6.9	8.8	13.1	72.5	73.7	71.2
Financial assets	3.0	0.7	0.4	0.4	0.6	0.7	0.7	0.7	0.7	0.7
Other non-current assets	0.0	0.4	0.3	0.2	3.3	6.9	6.0	6.0	6.0	6.0
Non-current assets	**15.7**	**3.0**	**1.9**	**1.3**	**75.2**	**93.8**	**96.4**	**181.2**	**182.9**	**179.3**
Short term debt	4.8	0.7	1.1	0.1	2.7	9.1	10.9	10.9	10.9	10.9
Accounts payable	21.3	19.6	21.8	23.7	28.0	48.0	46.8	53.3	59.7	65.7
Other short term liabilities	5.8	5.0	5.1	13.4	29.8	17.5	17.7	18.2	20.4	22.4
Current liabilities	**32.0**	**25.3**	**28.0**	**37.2**	**60.5**	**74.6**	**75.4**	**82.4**	**91.0**	**99.1**
Long term debt	1.8	0.6	0.0	28.1	49.1	62.8	57.4	81.0	81.0	81.0
Pension provisions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
IFRS16 Debt	0.0	0.0	0.0	0.0	0.0	7.2	4.4	4.4	4.4	4.4
Other long term provisions	0.3	0.0	0.1	0.1	0.5	0.3	2.2	2.2	2.2	2.2
Other long term liabilities	0.4	0.5	0.6	0.8	2.4	2.8	2.3	2.3	2.3	2.3
Non-current liabilities	**2.4**	**1.1**	**0.7**	**29.0**	**52.0**	**73.1**	**66.3**	**89.9**	**89.9**	**89.9**
Shareholders' equity	29.3	2.1	1.2	12.5	52.6	50.6	67.0	103.4	121.5	149.2
Minority interests	0.0	0.0	0.1	1.8	11.0	11.7	16.2	17.1	17.3	17.7
Total equity	**29.3**	**2.1**	**1.3**	**14.3**	**63.6**	**62.3**	**83.2**	**120.5**	**138.8**	**166.9**
Balance sheet total	**63.7**	**28.5**	**30.0**	**80.5**	**176.1**	**210.0**	**224.9**	**292.9**	**319.7**	**355.9**
% Change	-2.1%	-55.3%	5.3%	168.3%	118.8%	19.3%	7.1%	30.2%	9.2%	11.3%
Book value per share (EUR)	0.51	0.01	0.00	0.03	1.34	1.29	1.70	2.27	2.66	3.27
% Change	730.0%	-98.9%	-42.7%	893.3%	4125.2%	-3.8%	31.9%	33.1%	17.5%	22.8%
Net financial debt	-23.9	-9.8	-16.0	-37.5	-23.6	-10.9	-22.2	22.4	2.3	-32.7
IFRS16 Debt	0.0	0.0	0.0	0.0	0.0	7.2	4.4	4.4	4.4	4.4
Pension provisions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Others	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net debt	-23.9	-9.8	-16.0	-37.5	-23.6	-3.7	-17.8	26.8	6.7	-28.3
Net fi. debt (+IFRS16) / EBITDA (x)	2.1	0.9	3.2	-9.9	-1.5	-0.2	-0.5	0.7	0.1	-0.5
Trade working capital	-10.7	-9.9	-13.8	-15.1	-11.6	-23.7	-21.5	-24.2	-27.2	-29.9
Net working capital	-9.6	-10.2	-16.0	-23.7	-32.3	-32.0	-26.5	-29.4	-32.9	-36.2
NWC/Sales	-10.3%	-8.7%	-12.3%	-14.7%	-12.3%	-7.8%	-5.6%	-6.1%	-6.1%	-6.1%
Inventories/sales	6.3%	4.3%	2.8%	2.3%	1.8%	3.5%	3.4%	3.0%	3.0%	3.0%
Invested capital	3.0	-8.2	-14.8	-23.0	39.0	54.2	63.2	145.1	143.3	136.4
Net fin. debt / FCF (x)	1.3	0.8	31.1	-7.7	-5.1	-0.4	-1.5	1.5	0.1	-0.9
Gearing (%)	-81.6%	-466.7%	-1,230.8%	-262.2%	-37.1%	-17.5%	-26.7%	18.6%	1.7%	-19.6%
Goodwill / Equity (%)	16.3%	0.0%	0.0%	0.0%	99.1%	99.0%	77.4%	53.4%	46.4%	38.6%

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Buy	62%	69%
Hold	29%	22%
Reduce	6%	0%
Not Rated/Under Review/Accept Offer	3%	9%
Total	100%	100%

Source: Kepler Cheuvreux
A: % of all research recommendations
B: % of issuers to which material services of investment firms are supplied

12 months rating history

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BASF (EUR)	30/06/2021 05:06	Equity Research	Buy	94.00	66.83
	08/12/2021 05:59	Equity Research	Buy	100.00	61.21
	30/03/2022 05:10	Equity Research	Buy	65.00	55.04

CEWE (EUR)	11/08/2021 05:17	Equity Research	Buy	154.00	119.00
	17/05/2022 05:03	Equity Research	Buy	120.00	84.90
Claranova ()	29/03/2022 00:00	Equity Research	Not Rated		
Engie (EUR)	28/09/2021 05:02	Equity Research	Buy	16.50	11.82
	16/11/2021 05:43	Equity Research	Buy	17.50	13.38
	01/03/2022 06:28	Equity Research	Buy	19.50	14.27
Sodexo (EUR)	28/10/2021 05:13	Equity Research	Buy	95.00	82.26
	04/04/2022 04:48	Equity Research	Buy	90.00	66.82

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