

CLIQ Digital

9M22 results

Continuing to execute on strategy

CLIQ Digital delivered strong revenue growth and record EBITDA in 9M22, as targeted marketing spend continued to drive the take up of its subscription-based multi-content streaming services. The results were boosted by particularly strong year-on-year growth in North America of 117%. We have raised our FY22 revenue and EBITDA forecasts by 10% and 15%, respectively, to reflect the strong growth delivered year to date, while noting that management has left its formal guidance unchanged. CLIQ.de, the new German multi-content portal, to be priced at €6.99 per month, will be launched on 15 December after extended stress testing. The shares continue to trade at a marked discount to the peer group.

Year end	Revenue (€m)	PBT* (€m)	EPS* (€)	DPS (€)	P/E (x)	Yield (%)
12/20	107.0	14.4	1.16	0.46	20.0	2.0
12/21	150.0	25.3	2.71	1.10	8.5	4.7
12/22e	275.0	40.9	4.17	1.69	5.6	7.3
12/23e	307.5	48.5	4.95	2.01	4.7	8.7

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

Subscribers drive strong sales growth

CLIQ reported Q322 revenues of €76.5m, up 91% y-o-y and 19% q-o-q, as North America delivered strong growth of 121%, benefiting in part from the strength in the US dollar (although the impact was not quantified by management). On a nine-month basis, revenues grew by 87% y-o-y to €193.3m. Marketing spend, a key performance indicator, more than doubled in the first nine months of FY22 (9M22), which should benefit future EBITDA. CLIQ delivered record 9M22 EBITDA of €30.8m (+62% y-o-y), although the margin was down 2.3pp to 16% due to increased marketing expenses. The 9M22 diluted EPS of €3.28 has already surpassed the total amount achieved in FY21 of €2.71, reflecting the strong growth delivered year to date. The group reported net cash on the balance sheet of €2.1m (June 2022: net debt of €5.8m), driven by operating free cash flow of €8.3m in Q322.

Forecasts raised

Formal management guidance of revenues in excess of €250m and EBITDA of at least €38m has been left unchanged but would imply a marked slowdown in Q4, which we feel is unlikely. We have therefore lifted our FY22 expectations to reflect the strong performance in 9M22. We now forecast revenues of €275m (previously €250m) and EBITDA of €43.5m (previously €38.0m). We have also raised FY23 revenue and EBITDA estimates by 3% and 7%, respectively, a steadier pace of growth following the exceptionally strong performance in FY22.

Valuation: Discount to peers despite sales growth

CLIQ's share price has held up well in the year to date relative to peers given the more challenging trading environment. Despite delivering strong financial results and forecasted sales growth, based on the peer group median FY22 and FY23 EV/sales multiples, CLIQ continues to trade a significant discount of 46%.

Media

9 November 2022

Price €23.15
Market cap €151m

Net cash (€m) as at 30 September	2.1
Shares in issue	6.5m
Free float	89%
Code	CLIQ
Primary exchange	XTRA
Secondary exchange	FRA

Share price performance



%	1m	3m	12m
Abs	26.1	(27.9)	(8.9)
Rel (local)	13.0	(27.9)	(6.7)
52-week high/low	€32.85	€16.62	

Business description

CLIQ Digital is a global streaming provider specialising in the direct marketing of affordable entertainment products and offering its members unlimited access to movies, audiobooks, sports, movies and games. It works in over 30 countries. In 9M22, 37% of sales were generated in Europe, 57% in North America and 5% in other regions.

Next events

Preliminary FY22 results	31 January 2023
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Multi-content continues to deliver

Exhibit 1 highlights the strong organic revenue and profit growth CLIQ has delivered in Q322 and 9M22. The elevated marketing expenditure continued to drive strong subscriber numbers in North America and Europe as an increasing number of customers chose to pay for its multi-content web portals. Multi-content accounted for 88% of Q322 revenue, up from 74% in Q321, while single-content made up 9% (Q321: 18%) and ad-funded digital marketing services (now discontinued) just 3% (Q321: 8%). By geographic split, North America made up 58% (Q321: 50%) of revenues, Europe 35% (Q321: 41%) and the rest of the world 7% (Q321: 9%).

North American revenues benefited in the period from the strength of the dollar and increased marketing expenditure, driving subscriber growth. However, the foreign exchange impact on the margin was small, given the natural hedge provided by operating expenses being broadly denominated in the same currency in which the revenue is generated.

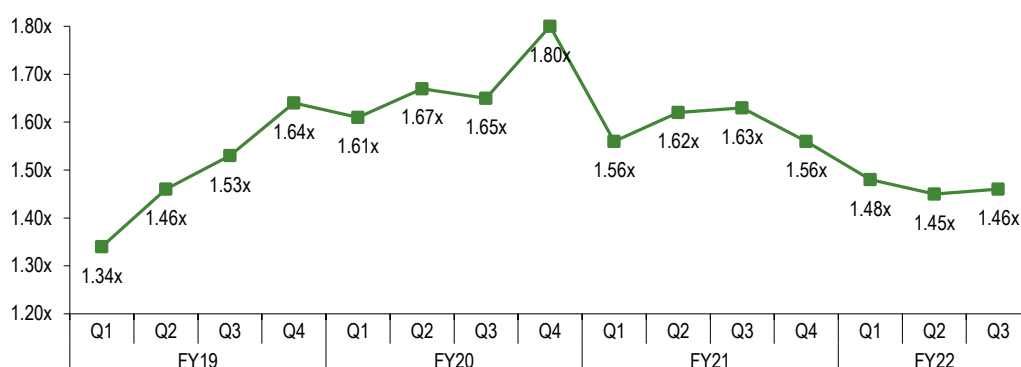
Exhibit 1: 9M22 results summary

€m	9M21	9M22	y-o-y change	Q321	Q322	y-o-y change
Europe	42.9	71.4	66%	16.4	26.8	63%
North America	51.0	110.7	117%	20.1	44.4	121%
RoW	9.3	11.2	21%	3.5	5.3	52%
Total revenue	103.2	193.3	87%	40.0	76.5	91%
Marketing spend	34.8	82.5	137%	13.8	30.4	120%
EBITDA	19.0	30.8	62%	7.4	12.4	68%
EBITDA margin	18%	16%	-2.5pp	19%	16%	-2.3pp
EBIT	18.1	29.8	64%	7.0	12.0	72%
Profit after tax	12.3	21.5	75%	4.7	8.6	84%
Diluted EPS (€)	1.82	3.28	80%	0.70	1.32	89%
Net debt/(cash)	(0.7)	(2.1)	204%	(0.7)	(2.1)	204%

Source: CLIQ Digital

As we highlighted in our [last update note](#), management has continued to invest in CLIQ's platform content and has signed new partnerships across the diverse content verticals. The fall in the EBITDA margin was driven by the elevated marketing spend costs as well as higher content costs in the period. CLIQ's broad range of content continued to deliver strong subscriber growth of 50% y-o-y and 93% growth in the customer base value to €131m.

Exhibit 2: CLIQ's profitability index



Source: CLIQ Digital, Edison Investment Research

CLIQ's profitability index (six month expected revenue per customer over cost of acquiring the customer) remained broadly flat quarter-on-quarter at 1.46x and down year-on-year from 1.63x in Q321, driven by more expensive bidding given the elevated marketing volumes and cost of new market entry in Latin America. Despite the year-on-year fall in CLIQ's profitability index,

management has stated it is continuing to execute on the direct in-house media buying strategy at favourable prices.

Strategic updates

CLIQ provided an update to the progress of the German CLIQ.de platform, following the announcement on 30 September that the launch would be delayed due to challenges encountered given the broad scope of the offering. Management notes that the launch is now scheduled for 15 December following further beta testing. We continue to believe that this is a favourable time for CLIQ to launch CLIQ.de, given its lower monthly pricing relative to competitors and the continued pressure on consumer discretionary spend.

As of mid-August, the digital marketing service business was discontinued by management. This will enable CLIQ to focus its strategy on the subscription-based multi-content and single-content streaming service.

As mentioned in our last update note, CLIQ announced in July that it had secured an increase to its credit facilities of €24m to €37.5m, with the option to extend to €57.5m. This provides the company with ample liquidity for working capital requirements and potential inorganic opportunities. Management stated in the results call that it continues to look at prospective M&A targets, although these discussions are very early-stage. We believe that any acquisitions are likely to either strengthen the technology of its marketing stack or add to the product portfolio, although nothing has been confirmed by management.

Management also announced that it has made first market entry in Latin America in Q322. Coupled with the continued focus on North America and Europe, there is significant scope for continued growth. There is a clear opportunity given the combined size of the United States, European and Latin American digital media markets of US\$173bn (source: Statista), compared to CLIQ's FY21 revenues of €150m.

Valuation

CLIQ's share price has held up relatively well against its peer group given the global derating of media stocks, falling just 6% in the year to date against the peer median of 52%. CLIQ's all-in-one offering provides it with a more diverse platform than its peers at a lower average monthly price. Despite this and the relatively high forecast sales growth against peers, it continues to trade at a significant discount on consensus EV/sales, EV/EBITDA and P/E multiples for both FY22 and FY23 (see Exhibit 3).

We believe the most suitable valuation metric to use is EV/sales given that some of CLIQ's peers are loss making at the EBITDA level. If CLIQ's shares were priced at parity to peers, taking an average across the FY22 and FY23 peer group median multiples of 0.96x, the implied share price would be €42.23. This is 82% above the current share price of €23.15. We expect the valuation gap to narrow given CLIQ's continued growth prospects and the addition of the CLIQ.de platform.

Exhibit 3: Peer valuation

Company	Market cap (m)	Share price perf ytd (%)	Sales growth (%)		EV/sales (x)		EV/EBITDA (x)		P/E (x)	
			FY1	FY2	FY1	FY2	FY1	FY2	FY1	FY2
Cinedigm	\$108	(48)	63	16	1.9	1.6	13.4	N/A	121.0	N/A
Stingray	C\$240	(33)	4	10	2.3	2.1	6.1	6.1	5.4	5.6
Spotify	\$14,151	(69)	7	15	1.0	0.9	N/A	N/A	N/A	N/A
Netflix	\$117,245	(56)	6	8	4.0	3.7	20.1	18.0	25.5	25.1
Alchimie	€13	(44)	(34)	(16)	0.8	0.9	35.5	15.6	N/A	7.6
Pantaflix	€17	(35)	(44)	69	0.7	0.4	2.4	0.7	N/A	N/A
Nordic Entertainment	SEK15,436	(58)	6	24	0.9	0.7	36.3	13.0	138.8	30.9
Storytel	SEK3,257	(71)	(10)	11	0.9	0.9	N/A	12.3	N/A	N/A
Median		(52)	5	13	1.0	0.9	16.7	12.7	73.3	16.4
Cliq Digital	€151	(6)	83	12	0.5	0.5	3.4	2.9	5.5	4.6
Premium/(discount)					-46%	-46%	-80%	-77%	-93%	-72%

Source: Refinitiv, Edison Investment Research. Note: Priced at 9 November 2022.

Exhibit 4: Financial summary

	€m	2020	2021	2022e	2023e
Year end 31 December		IFRS	IFRS	IFRS	IFRS
INCOME STATEMENT					
Revenue		107.0	150.0	275.0	307.5
Cost of Sales		(72.0)	(98.8)	(201.6)	(219.5)
Gross Profit		34.9	51.2	73.4	88.0
EBITDA		15.9	27.2	43.5	51.0
Operating profit (before amort. and excepts.)		15.2	26.3	41.6	49.0
Reported operating profit		15.2	26.3	41.6	49.0
Net Interest		(0.8)	(0.9)	(0.7)	(0.6)
Profit Before Tax (norm)		14.4	25.3	40.9	48.5
Profit Before Tax (reported)		14.4	25.3	40.9	48.5
Reported tax		(4.0)	(7.1)	(12.8)	(15.1)
Profit After Tax (norm)		10.4	18.2	28.1	33.4
Profit After Tax (reported)		10.4	18.2	28.1	33.4
Minority interests		3.3	0.4	0.6	0.7
Net income (normalised)		7.2	17.8	27.5	32.6
Net income (reported)		7.2	17.8	27.5	32.6
Average Number of Shares Outstanding (m)		6.2	6.5	6.5	6.5
EPS - basic (€)		1.16	2.74	4.22	5.01
EPS - normalised fully diluted (€)		1.16	2.71	4.17	4.95
Dividend (€)		0.46	1.10	1.69	2.01
Revenue growth (%)		69.4	40.2	83.4	11.8
Gross Margin (%)		32.7	34.1	26.7	28.6
EBITDA Margin (%)		14.9	18.1	15.8	16.6
Normalised Operating Margin		14.2	17.5	15.1	15.9
BALANCE SHEET					
Fixed Assets		55.2	59.4	62.7	67.2
Intangible Assets		0.8	2.6	5.8	9.4
Tangible Assets		2.2	3.8	5.1	5.9
Goodwill & other		52.3	53.0	51.7	51.9
Current Assets		21.7	36.9	87.9	105.8
Receivables		9.1	12.5	25.2	31.2
Cash & cash equivalents		4.9	7.3	40.0	45.6
Other		7.7	17.1	22.7	29.0
Current Liabilities		(12.9)	(27.3)	(26.0)	(27.0)
Creditors		(2.0)	(7.9)	(12.1)	(13.1)
Tax		(3.2)	(1.2)	(1.2)	(1.2)
Borrowings		0.0	(5.0)	0.0	0.0
Provisions		(0.4)	(0.4)	(0.4)	(0.4)
Other		(7.3)	(12.8)	(12.4)	(12.4)
Long-term liabilities		(8.5)	(9.4)	(46.6)	(46.3)
Long-term borrowings		(3.8)	0.0	(37.3)	(37.1)
Other long-term liabilities		(4.7)	(9.4)	(9.3)	(9.2)
Net Assets		55.6	59.6	78.0	99.6
Minority interests		4.8	0.0	0.7	1.4
Shareholders' equity		50.8	59.5	77.3	98.2
CASH FLOW					
Operating Cash Flow pre WC, tax		15.1	26.8	42.8	50.5
Working capital		1.6	(1.2)	(8.6)	(4.9)
Exceptional & other		0.9	1.3	(3.8)	(4.4)
Tax		(2.8)	(6.1)	(13.7)	(15.9)
Operating cash flow		14.8	20.8	16.7	25.3
Capex		(0.7)	(3.3)	(5.3)	(5.8)
Acquisitions/disposals		0.0	(10.3)	0.0	0.0
Net interest		0.0	0.0	0.0	0.0
Equity financing		0.0	0.0	0.0	0.0
Dividends		(2.1)	(3.3)	(11.0)	(13.0)
Other		(1.5)	(2.5)	(0.2)	(0.6)
Net Cash Flow		10.5	1.4	0.2	5.8
Opening net debt/(cash)		9.6	(0.9)	(2.3)	(2.5)
FX		(0.0)	0.0	0.0	0.0
Other non-cash movements		0.0	0.0	0.0	0.0
Closing net debt/(cash)		(0.9)	(2.3)	(2.5)	(8.3)

Source: Company accounts, Edison Investment Research

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