

CLIQ Digital

Focusing on more profitable subscribers

H123 results

Media

8 August 2023

Price €22.45

Market cap €146m

Net cash (€m) at 30 June 2023 8.0

Shares in issue 6.5m

Free float 89%

Code CLIQ

Primary exchange XTRA

Secondary exchange FRA

Share price performance



% 1m 3m 12m

Abs (1.1) (8.0) (27.9)

Rel (local) (3.2) (8.0) (38.6)

52-week high/low €32.85 €16.62

Business description

CLIQ Digital sells subscription-based streaming services that bundle movies and series, music, audiobooks, sports and games to consumers globally. In H123, 37% of sales were generated in Europe, 56% in North America, 4% in Latin America and 3% in other regions.

Next events

Q323 results 2 November 2023

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CLIQ Digital delivered robust growth in H123, with 37% year-on-year growth in both revenue and EBITDA at a maintained margin of 15.8%. Growth continues to be driven by growing marketing spend and investment into evolving the bundled content offering. Given a more competitive bidding market, management is focusing on acquiring customers with a higher lifetime value to create a more profitable subscriber base. Management has reiterated both its FY23 and mid-term FY25 guidance and our headline forecasts remain unchanged. Despite CLIQ's share price performance faring better than the peer average valuation, it remains at a significant discount to peers on both EV/sales and EV/EBITDA multiples. In our view there continues to be significant upside to the current share price on our current estimates.

Year end	Revenue (€m)	EBITDA* (€m)	EPS* (€)	DPS (€)	P/E (x)	Yield (%)
12/21	150.0	27.2	2.71	1.10	8.3	4.9
12/22	276.1	43.5	4.45	1.79	5.0	8.0
12/23e	345.0	51.0	4.86	1.97	4.6	8.8
12/24e	400.2	59.4	5.75	2.33	3.9	10.4

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

Bundled content delivering results

CLIQ's revenue and profit growth in H123 reflects the success of the shift towards its bundled content streaming platform, as the company builds a more profitable and long-term subscriber base. EBITDA grew in line with sales to €25m despite greater marketing costs given the more competitive customer acquisition market, particularly in Europe. CLIQ generated robust positive operating free cash flow of €11m, offset by the €12m dividend payment, resulting in a small decline in the net cash position to €8.0m (FY22: €9.9m) at 30 June 2023. Management has paused its brand marketing campaigns relating to cliq.de and will look to resume after the summer to maximise customer conversion. Early results from Latin America indicate good progress is being made.

Headline estimates maintained

We maintain our headline revenue and EBITDA estimates but have tweaked our depreciation and amortisation charges for both FY23 and FY24, as well as our working capital expectations to reflect the H123 results. Given the greater working capital outflow, we now forecast a lower net cash position of €16m in FY23 and €25m in FY24, previously €20m in FY23 and €30m in FY24.

Valuation: Continued discount to peers

CLIQ's share price has dipped 3% year-to-date, faring better than the peer median decline of 12%. CLIQ continues to trade at a significant discount to peers across median FY23 EV/sales and EV/EBITDA multiples of 55% and 74%, respectively. Parity to the median EV/sales multiples across FY23 and FY24 would equate to an implied share price of €55, reflecting significant upside, in our view.

H123 summary

In Exhibit 1 we summarise the good year-on-year progress CLIQ has made in H123 given the shift towards bundled content over single content.

Exhibit 1: H123 results summary

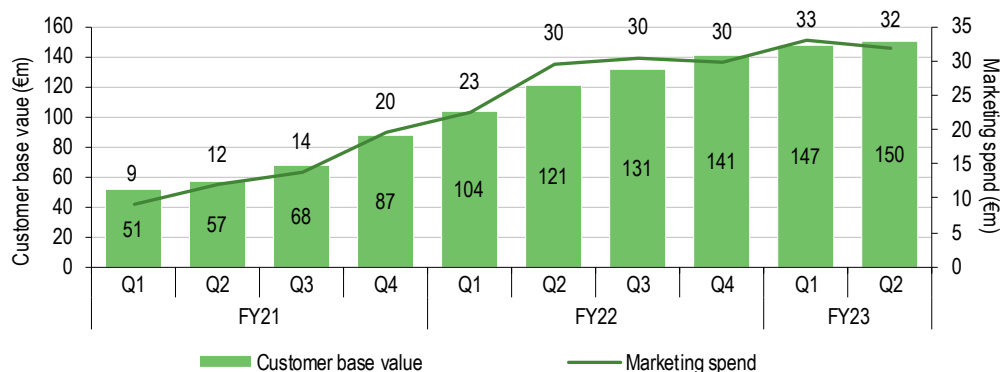
€m	H123	H122	Y-o-y change (%)
Revenue	159.6	116.8	37%
North America	89.9	66.2	36%
Europe	59.4	44.6	33%
Latin America	6.0	0.1	4907%
ROW	4.4	5.9	(25%)
Marketing spend	64.7	52.1	24%
EBITDA	25.2	18.4	37%
EBITDA margin	16%	16%	0%
EBIT	23.5	17.7	32%
Profit after tax	16.2	12.8	27%
Diluted EPS (€)	2.5	2.0	26%
Net debt/(cash)	(8.0)	5.8	N/A

Source: CLIQ Digital

Group revenue growth continues to be driven by growth in marketing expenditure focused on online campaigns, which are promoting the multi-content bundled offer, which now accounts for 93% of group sales (H122: 85%). The remaining 7% of sales come from single-content subscriptions. On a quarter-on-quarter basis, sales declined 7% due to the 3% slowdown in marketing spend in Q223 versus Q123, reflecting the more competitive advertising bidding environment. EBITDA also edged downwards 3% to €12.4m in Q223, but with an improved margin of 16.2% versus Q123 in which the margin was 15.4%. Looking to H223, management is focused on diversifying its marketing spend and building media relationships to grow sales at an efficient cost, and is confident in achieving its full year sales and profit guidance. Historically CLIQ has had a H2 weighting with regards to sales and as such we remain confident in our current forecasts.

Management has continued to invest in enhancing the platform's content across North America, Europe and Latin America. Year-to-date CLIQ has introduced, among others, multiple new movies and series from partners, including the addition of 150 Spanish language feature films for the Spanish and Latin American markets, as well as the integration of DAZN RISE and DAZN FAST, which further extend cliq.de's sports offering.

Management notes the growth in marketing costs reflects a more competitive customer acquisition environment and consequently greater costs per acquired customer. In response to elevated marketing costs, management has focused on those customers with a higher forecasted average lifetime value, which is instrumental in maintaining healthy profit margins. The customer base value reflects CLIQ's expected sales from its current subscriber base, which was €150m at 30 June 2023. EBITDA grew in line with sales in the six months and despite the more competitive advertising environment, CLIQ was able to mitigate some of this cost with greater cost of sales management.

Exhibit 2: Marketing spend driving growth in CLIQ's customer base value


Source: CLIQ Digital

The benefits from the shift to bundled content and the focus on those customers with a greater lifetime value are starting to come through and can be seen in the progress in CLIQ's key performance indicators: expected average lifetime value of a customer (LTV) and the lifetime value of the customer base (LTVCB). Growth in the LTV to €87.53 at H123-end (H122: €72.41) and in the LTVCB to €150m (H122: €121m) was despite a year-on-year dip in the number of unique paying members to 1.1m (H122: 1.2m), highlighting the benefits of premiumisation of CLIQ's membership base. CLIQ is focused on acquiring new subscribers with a higher average lifetime value (+15% y-o-y) which translate to stronger overall margins.

Management remains focused on growing its presence in North American and European markets and driving forward the bundled content subscription service offering through the acquisition of customers with a greater lifetime value. The growth of revenues in Latin America indicates management's ability to deliver on growth opportunities in new potential markets.

Valuation

We have looked at CLIQ's valuation in comparison with other selected entertainment and customer acquisition groups across various metrics, as shown below (Exhibit 3). It should be noted that these groups are of greatly differing scale and have widely differing business models, with correspondingly disparate growth characteristics.

CLIQ's share price has fared better than its peers in the year-to-date, dipping just 3% against the peer median decline of 12%. CLIQ's bundled offering provides subscribers with a more diverse platform than many of its peers at a lower average monthly price. Despite this and a higher sales growth rate expected in both FY23 and FY24, CLIQ continues to trade at a significant discount to the peer median EV/sales, EV/EBITDA and P/E multiples for both FY23 and FY24, as shown in Exhibit 3. CLIQ is also one of only two companies in the peer group that pays a dividend.

WE believe the most suitable valuation metric to use is EV/sales given that some of CLIQ's peers are EBITDA loss-making. If priced at parity to its peers, taking an average across FY23 and FY24 EV/sales multiples of 0.98x, CLIQ's implied share price would be €55. At 115% above the current share price of €24.55, in our view this represents significant potential upside. We continue to expect the valuation gap to narrow given CLIQ's growth prospects.

Exhibit 3: Peer valuation

	Market cap	Share price perf ytd	Sales growth (%)		EV/Sales (x)		EV/EBITDA (x)		P/E (x)		Hist div yield (%)
Company	(m)	(%)	FY1	FY2	FY1	FY2	FY1	FY2	FY1	FY2	Last
Cinedigm	\$18	(80)	36	1	0.2	0.2	N/A	5.8	N/A	13.2	N/A
Stingray	C\$262	4	10	6	2.0	1.9	5.8	5.3	6.7	5.5	5.8
Spotify	\$28,522	86	14	17	1.8	1.6	N/A	N/A	N/A	308.5	N/A
Netflix	\$190,420	46	7	14	5.9	5.2	26.6	21.0	36.1	28.0	N/A
Alchimie	€9	(28)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0.0
Pantaflix	€17	(1)	63	4	1.0	1.0	1.8	1.8	N/A	N/A	0.0
Nordic Entertainment	SEK3,752	(76)	20	4	0.3	0.3	N/A	21.3	N/A	20.7	0.0
Storytel	SEK2,949	(13)	5	10	1.0	0.9	16.5	11.4	N/A	N/A	0.0
Peer median		(7)	14	6	1.0	1.0	11.1	8.6	21.4	20.7	0.0
CLIQ Digital	€160	(3)	25	16	0.4	0.5	2.9	2.9	5.0	4.2	7.3
Premium/(discount)					-57%	-48%	-74%	-66%	-77%	-80%	

Source: Edison Investment Research, Refinitiv. Note: Priced at 4 August 2023.

Exhibit 4: Financial summary

	€m	2020	2021	2022	2023	2024
Year end 31 December		IFRS	IFRS	IFRS	IFRS	IFRS
INCOME STATEMENT						
Revenue		107.0	150.0	276.1	345.0	400.2
Cost of Sales		(72.0)	(98.8)	(201.3)	(256.1)	(297.1)
Gross Profit		34.9	51.2	74.8	88.9	103.1
EBITDA		15.9	27.2	43.5	51.0	59.4
Operating profit (before amort. and excepts.)		15.2	26.3	42.1	47.6	56.2
Reported operating profit		15.2	26.3	42.1	47.6	56.2
Net Interest		(0.8)	(0.9)	(1.2)	(0.8)	(0.8)
Profit Before Tax (norm)		14.4	25.3	40.9	46.8	55.4
Profit Before Tax (reported)		14.4	25.3	40.9	46.8	55.4
Reported tax		(4.0)	(7.1)	(11.9)	(14.1)	(16.6)
Profit After Tax (norm)		10.4	18.2	29.0	32.8	38.8
Profit After Tax (reported)		10.4	18.2	29.0	32.8	38.8
Minority interests		3.3	0.4	(0.1)	0.7	0.9
Net income (normalised)		7.2	17.8	29.1	32.1	37.9
Net income (reported)		7.2	17.8	29.0	32.1	37.9
Average Number of Shares Outstanding (m)		6.2	6.5	6.5	6.5	6.5
EPS - normalised (€)		1.16	2.74	4.47	4.93	5.83
EPS - normalised fully diluted (€)		1.16	2.71	4.45	4.86	5.75
Dividend (€)		0.46	1.10	1.79	1.97	2.33
Revenue growth (%)		69.4	40.2	84.1	25.0	16.0
Gross Margin (%)		32.7	34.1	27.1	25.8	25.8
EBITDA Margin (%)		14.9	18.1	15.8	14.8	14.8
Normalised Operating Margin		14.2	17.5	15.2	13.8	14.0
BALANCE SHEET						
Fixed Assets		55.2	59.4	65.1	72.6	81.0
Intangible Assets		0.8	2.6	8.4	15.7	23.8
Tangible Assets		2.2	3.8	5.0	4.9	5.1
Goodwill & other		52.3	53.0	51.7	51.9	52.1
Current Assets		21.7	36.9	70.0	95.7	128.4
Receivables		9.1	12.5	13.6	24.6	38.4
Cash & cash equivalents		4.9	7.3	16.8	22.8	31.4
Other		7.7	17.1	39.6	48.4	58.6
Current Liabilities		(12.9)	(27.3)	(31.2)	(36.1)	(43.9)
Creditors		(2.0)	(7.9)	(9.5)	(14.0)	(21.0)
Tax		(3.2)	(1.2)	(2.6)	(3.9)	(5.0)
Borrowings		0.0	(5.0)	0.0	0.0	0.0
Provisions		(0.4)	(0.4)	(0.4)	(0.4)	(0.4)
Other		(7.3)	(12.8)	(18.7)	(17.9)	(17.5)
Long Term Liabilities		(8.5)	(9.4)	(22.6)	(25.3)	(29.2)
Long term borrowings		(3.8)	0.0	(6.6)	(6.4)	(6.2)
Other long term liabilities		(4.7)	(9.4)	(16.0)	(19.0)	(23.0)
Net Assets		55.6	59.6	81.3	106.8	136.3
Minority interests		4.8	0.0	(0.1)	0.7	1.5
Shareholders equity		50.8	59.5	81.4	106.2	134.8
CASH FLOW						
Operating Cash Flow		15.1	26.8	44.9	50.2	58.6
Working capital		1.6	(1.2)	(18.1)	(6.5)	(6.8)
Exceptional & other		0.9	1.3	1.6	2.8	2.8
Tax		(2.8)	(6.1)	(3.4)	(14.9)	(17.4)
Operating cash flow		14.8	20.8	25.0	31.7	37.2
Capex		(0.7)	(3.3)	(9.6)	(11.1)	(12.2)
Acquisitions/disposals		0.0	(10.3)	1.5	0.0	0.0
Net interest		0.0	0.0	0.0	0.0	0.0
Equity financing		0.0	0.0	0.0	0.0	0.0
Dividends		(2.1)	(3.3)	(7.2)	(12.8)	(15.2)
Other		(1.5)	(2.5)	(1.0)	(1.4)	(0.9)
Net Cash Flow		10.5	1.4	8.9	6.3	8.8
Opening net debt/(cash)		9.6	(0.9)	(2.3)	(9.9)	(16.2)
FX		(0.0)	0.0	(0.1)	0.0	0.0
Other non-cash movements		0.0	0.0	0.0	0.0	0.0
Closing net debt/(cash)		(0.9)	(2.3)	(9.9)	(16.2)	(25.0)

Source: CLIQ Digital accounts, Edison Investment Research

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