

CLIQ Digital

More profitable customers in FY23

FY23 update

Media

CLIQ Digital's FY23 trading update showed sales coming in below both management's guidance and our forecasts, although EBITDA was in line. Management noted a slower ramp-up in revenue than was expected despite higher marketing expenditure to drive new customers to the platform. Expansion into new markets and the launch of its low-cost German platform, cliq.de, demonstrate good operational progress made in FY23. Despite the revenue miss, CLIQ delivered good year-on-year growth in revenue and EBITDA, driven by continued development of its bundled content offering and growing marketing expenditure. CLIQ's strong cash generation resulted in an improved net cash position at end-FY23 of €16m. We will update our forecasts following the publication of the annual report, scheduled for 22 February, at which point management will also provide its outlook for FY24.

| Year end | Revenue (€m) | EBITDA* (€m) | EPS* (€) | DPS (€) | P/E (x) | Yield (%) |
|----------|-----------------|-----------------|-------------|------------|------------|--------------|
| 12/21 | 150.0 | 27.2 | 2.71 | 1.10 | 7.1 | 5.7 |
| 12/22 | 276.1 | 43.5 | 4.45 | 1.79 | 4.3 | 9.3 |
| 12/23e | 326.4** | 50.3** | 4.86 | 1.97 | 4.0 | 10.2 |
| 12/24e | 400.2 | 59.4 | 5.75 | 2.33 | 3.4 | 12.1 |

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

CLIQ's results displayed slower revenue growth than we had anticipated, although, in absolute terms, EBITDA was broadly in line with our forecasts. Revenue came in at €326m (Edison: €345m, FY22: €276m), c 5.5% below management's guidance and consensus, although displaying good growth of 18% y-o-y. EBITDA was €50m (Edison: €51m, FY22: €44m), reflecting a better margin than we had anticipated at 15.4% (Edison: 14.8%, FY22: 15.8%). The slower-than-expected sales growth reflected a longer lead-time in conversion of customers despite growing marketing spend. Operating free cash flow improved to €19m (Edison: €20m, FY22: €15m), resulting in a net cash position at end-December in line with our expectations of €16m (Edison: €16m, FY22: €10m).

Despite the slower full year than anticipated, CLIQ delivered a record Q4, with sales of €84m (Q422: €83m) in the quarter driven by progress in North America and Latin America. Europe and ROW experienced slower quarters due to elevated acquisition costs, as marketing bidding prices remained stubbornly high. Notwithstanding the improved revenue, EBITDA was slightly lower year-on-year at €12m (Q422: €13m) due to elevated marketing expenses. Consequently, the margin declined 1ppt to 14% (FY22: 15%) due to one-off operating expenses.

CLIQ's focus on more profitable customers is starting to be reflected in its KPIs, with the expected average lifetime value of a new customer improving significantly from €73 in FY22 to €85 in FY23. CLIQ has attracted these more profitable subscribers through a combination of increasing online advertising and more importantly, enhancing the quality and range of its content offering.

1 February 2024

Price €19.30

Market cap €126m

Estimated net cash (€m) at 31 December 2023 16

Shares in issue 6.5m

Free float 89%

Code CLIQ

Primary exchange XTRA

Secondary exchange FRA

Share price performance



Business description

CLIQ Digital is an online performance marketing company selling subscription-based streaming services that bundle movies and series, music, audiobooks, sports and games to consumers globally.

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