

CLIQ Digital

FY23 results

Steady progress and share buyback announced

CLIQ Digital showed robust revenue and profit growth in FY23 despite a more challenging backdrop. Revenue was below management guidance and Edison estimates, but profits were in line. Margins dipped only slightly despite higher advertising bidding prices, ie customer acquisition costs. Management announced a share buyback programme of up to €13m in place of a dividend to generate returns for shareholders and also for tax efficiency reasons. We have adjusted out FY24 forecasts to reflect management's updated guidance and introduce our FY25 forecasts.

Year end	Revenue (€m)	EBITDA (€m)	EPS* (€)	DPS (€)	P/E (x)	Yield (%)
12/22	276.1	43.5	4.45	1.79	3.8	10.6
12/23	326.4	50.3	4.82	0.00	3.5	N/A
12/24e	375.3	56.0	5.44	0.00	3.1	N/A
12/25e	439.1	65.5	6.28	0.00	2.7	N/A

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

Slower revenue but EBITDA in line in FY23

Despite CLIQ's strong growth in FY23, revenue, up 18% to €326m, fell short of both management's expectations and our forecasts. Management's focus on more profitable customers within its subscriber base resulted in EBITDA in line with guidance at €50m. Slower sales growth was reflective of prolonged lead times despite the elevated marketing spend. CLIQ continues to invest in its platform and in both the quality and quantity of its content, attracting users to its bundled content offering. The group ended the year with net cash of €15.7m and has ample resources for ongoing investment in its platform and content.

Updated forecasts

We have downgraded our FY24 revenue and EBITDA estimates by 6% as we moderate our forecasts towards management's guided range. We now forecast revenue growth of 15% to €375m and EBITDA growth of 11% to €56m. We have also introduced our FY25 forecasts, anticipating revenue growth of 17% to €439m and with EBITDA of €66m at a maintained margin of 14.9%. These forecasts are supported by CLIQ's historical success in effective marketing spend and updated management initiatives, including diversified marketing channels and geographic expansion. Management aims to achieve a revenue run rate of €500m by end-Q425.

Valuation: Persistent discount with potential upside

CLIQ's recent share price decline reflects the FY23 revenue miss and the more challenging consumer and marketing environment. Currently, CLIQ trades at discounts of 83% and 84% to peer average (excluding Netflix) EV/sales multiples for FY24 and FY25, respectively. If priced at parity to peers on this basis, CLIQ's implied share price would be €75, suggesting substantial upside to the current level. We anticipate that meeting financial guidance and strategic objectives could help close this valuation gap.

Media

27 February 2024

Price €16.82

Market cap €111m

Net cash (€m) at 31 December 2023 (excluding capitalised finance expenses) 15.7

Shares in issue 6.5m

Free float 91%

Code CLIQ

Primary exchange XTRA

Secondary exchange FRA

Share price performance



%	1m	3m	12m
Abs	(24.6)	(9.6)	(36.9)
Rel (local)	(26.6)	(16.8)	(44.9)
52-week high/low	€30.10	€15.14	

Business description

CLIQ Digital is a leading online performance marketing company selling subscription-based streaming services that bundle movies & series, music, audiobooks, sports and games globally. In FY23, 33% of sales were generated in Europe, 60% in North America, 4% in Latin America and 2% in other regions.

Next events

AGM	4 April 2024
Q124 results	8 May 2024
H124 results	8 August 2024
Q324 results	7 November 2024

Analysts

Milo Bussell	+44 (0)20 3077 5700
Fiona Orford-Williams	+44 (0)20 3077 5700

media@edisongroup.com
[Edison profile page](#)

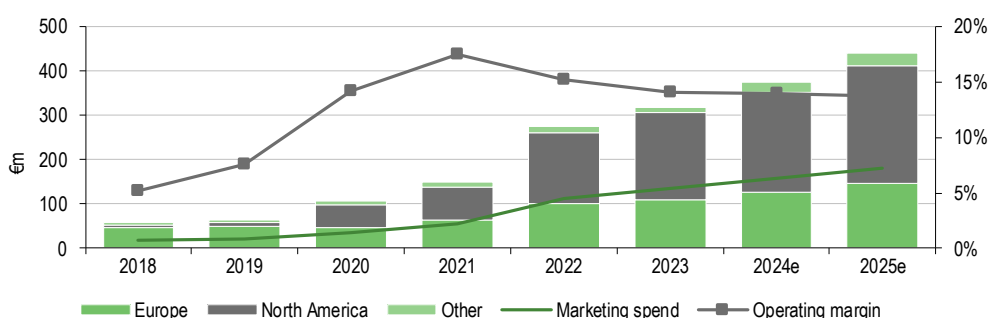
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Strategy update

CLIQ has transformed from a single-content portal to a comprehensive bundled content subscription-based platform offering across five primary categories: movies and series, music, audiobooks, sports and games. The group now operates in over 40 countries and expanded into Asia in Q423. CLIQ has continued to deliver robust revenue growth in North America at 25%, while Europe was slower than its historical rate, up 7% in FY23. North America made up 60% of group revenues in FY23 (FY22: 57%), while Europe contributed 33% (FY22: 37%), Latin America 4% (FY22: 1%) and the rest of the world 2% (FY22: 5%).

CLIQ's success in scaling revenue and profits rapidly over the last five years has been due to the effectiveness of its marketing spend through Google Display. However, also because of the high marketing bidding prices CLIQ has experienced over the past two years, management is diversifying its marketing traffic mix to generate a better return on spend. Consequently, CLIQ will reach more potential customers through advertising via search engines, video, email and social media and through business-to-business (B2B) partnerships and affiliates. CLIQ has existing B2B partnerships with Lidl, New Yorker, Call a Pizza and COMPUTER BILD in Germany, and recently announced a partnership for cliq.de with German newspaper *Frankfurter Allgemeine Zeitung*. CLIQ's B2B partnerships to date are with strong brands with broad-reaching customer bases for CLIQ to advertise its bundled content offering to.

Exhibit 1: Development across core KPIs, 2018–25e



Source: CLIQ Digital, Edison Investment Research. Note: Forecasts use Edison's estimates and left-hand axis represents revenue and marketing spend for all geographies.

CLIQ is utilising AI to provide greater insights into its data analytics, informing its marketing strategies to generate high conversion rates and a robust return on marketing spend. The use of AI in delivering efficient marketing could provide the opportunity for further margin expansion, while the use of AI in content curation could enhance the user experience. Furthermore, the addition of alternative payment methods for customers such as credit card, PayPal, Google and Apple Pay should facilitate ease and streamlining of payments.

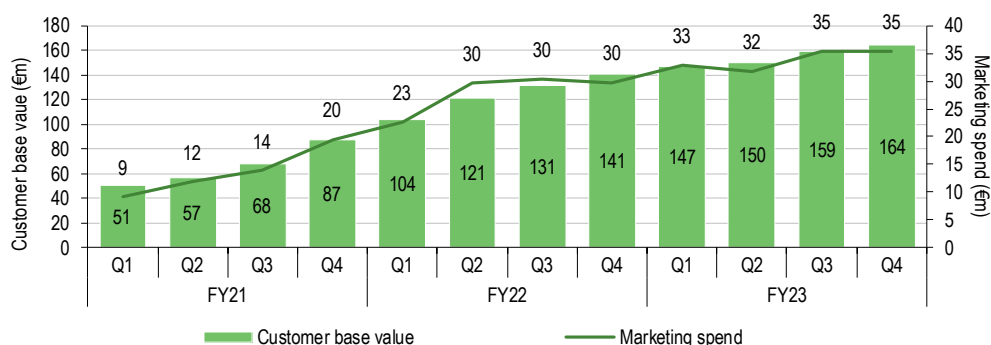
The company has continued its geographic expansion with the entry into Asia in Q423. Having successfully entered Latin America in Q322 and subsequently grown revenues to 4% of the group, management will be looking to emulate similar success in this new geography by offering localised content to the region. The expansion into new geographies alongside continued growth in its core markets of Europe and North America provides us with confidence in CLIQ's future revenue growth.

FY23 results

Revenue and profit growth

CLIQ continued to deliver a robust performance in FY23 despite the backdrop of a weaker consumer environment and more competitive bidding prices, particularly in Europe. Revenue was up 18% to €326m (Edison estimate: €345m, FY22: €276m) while EBITDA grew 16% to €50.3m (Edison estimate: €51m, FY22: €44m), driven by a 21% increase in marketing spend. Revenue came in below both management's guidance and our expectations due to a slower ramp-up in customer conversion despite the elevated marketing spend. EBITDA, however, was in line. Marketing spend was targeted towards more profitable customers with a higher expected lifetime value, which helped grow the lifetime value of the customer base to €164m (FY22: €141m). Against a challenging backdrop of high marketing bidding prices, particularly in Europe, the EBITDA margin dipped 34bp to 15.4% (Edison: 14.8%, FY22: 15.8%), although this was a better margin than we had anticipated. Customers continue to be drawn to CLIQ's bundled content offering as it improves the quality and breadth of its content catalogue across a number of media channels. Bundled content streaming services accounted for 94% of FY23 revenue versus 88% in FY22, highlighting CLIQ's strategic shift towards this offering.

Exhibit 2: Development across paying membership base



Source: CLIQ Digital

The group continues to make good progress against its performance indicators, as shown in Exhibit 2. Although the membership base fell slightly from 1.3m in FY22 to 1.2m in FY23, CLIQ has focused on more profitable subscribers. Consequently, the expected lifetime average value of a customer increased significantly to €85 (FY22: €73), highlighting CLIQ's strategy of acquiring customers who are more valuable to it in the long term.

Strong financial position and share buyback programme

The group ended the year with a net cash position of €15.7m, broadly in line with our previous expectations. This was because of an improvement in operating cash flows in the year, mostly due to the higher profitability, offset by higher investment and the dividend payment in the year. Free cash flow improved as the group's investment in platform development and the licensing of the new content remained the same as a proportion of revenue. At end-FY23, the group had a maximum amount available from its credit facility of €15m (FY22: €37.5m).

Management announced on 20 February that it would be returning up to €13m to shareholders by way of a share buyback programme as opposed to a dividend distribution. Historically, the company has issued a dividend at a 40% payout ratio. On the earnings call management noted that it had made this decision following discussions with existing shareholders, who preferred a share buyback as a means of a return over a dividend also due to tax implications. CLIQ has not issued any

guidance for its capital distribution plans for FY25 and notes that it will decide on a yearly basis the best means to return capital to shareholders.

Updated forecasts

We have moderated our FY24 forecasts to management's updated guidance, in which it anticipates generating revenues of €360–380m and EBITDA of €52–58m. We have downgraded our revenue and EBITDA estimates by 6%, and now anticipate growth of 15% in revenue to €375m and 11% in EBITDA to €56m. We have increased the marketing spend by 16% to €157m as we expect marketing bidding prices to remain high, as flagged by management. The slower rate of growth reflects the lapping of an already high comparator. Our forecasted net cash position of €35.1m does not include the potential €13m outflow from the share buyback programme and is boosted due to no dividend being paid in the year. If management were to fully complete the share buyback programme by the full €13m indicated, the net cash position would be €22.1m. We will reflect the share buyback programme as and when it happens in our updated numbers.

We introduce our FY25 forecasts, in which we expect an acceleration in growth as new geographies become more material from a contribution perspective and as CLIQ grows its subscriber base. We estimate revenue growth of 17% to €439m, with EBITDA of €66m as we maintain the margin at 14.9%. We continue to forecast an increase in marketing spend of 15% and believe CLIQ's strong track record of converting marketing expenditure into customer acquisition will continue to drive revenues and profits. The net cash position in FY25 of €51.1m is again artificially high due to the compounding effect of the exclusion of the share buyback from the FY24 figure and the uncertainty over management's capital return plans for FY25. As such we would expect it to be lower, however we do not reflect this in our numbers.

Exhibit 3: Summary of forecasts

€m	FY23	FY24e	y-o-y change (%)	FY25e	y-o-y change (%)
Gross revenue	326	375	15%	439	17%
Marketing spend	135	157	16%	181	15%
EBITDA	50	56	11%	66	17%
EBITDA margin (%)	15.4%	14.9%	-3%	14.9%	0%
Adjusted EBIT	46	53	15%	61	15%
Basic EPS (€)	4.9	5.5	12%	6.4	16%
Net cash	15.7	35.1*	123%	51.1	46%

Source: CLIQ Digital for FY23 figures, Edison Investment Research forecasts. Note: *Excludes potential €13m share buyback.

Valuation

We have looked at CLIQ's valuation in comparison with selected entertainment and customer acquisition companies across various metrics. Many of these companies operate at a different scale to CLIQ and have widely different business models, with correspondingly disparate growth characteristics.

Exhibit 4: Peer valuation

	Market cap	Share price performance ytd	Sales growth (%)		EV/sales (x)		EV/EBITDA (x)		P/E (x)	
Company	(m)	(%)	FY1	FY2	FY1	FY2	FY1	FY2	FY1	FY2
Cineverse	\$18	1	(26)	21	0.3	0.3	2.8	3.1	N/A	N/A
Stingray	C\$377	22	7	8	2.2	2.1	6.1	5.6	8.7	7.1
Spotify	\$50,270	36	18	13	2.8	2.5	43.4	30.6	63.7	43.8
Netflix	\$254,311	21	15	12	6.8	6.0	26.0	21.6	34.3	27.8
Pantaflix	€49	20	(2)	10	2.2	2.0	3.2	2.8	N/A	38.9
Viaplay	SEK4,108	(43)	(0)	2	0.5	0.5	73.3	13.6	N/A	1.4
Storytel	SEK4,135	34	12	10	1.0	0.9	8.0	6.6	59.0	20.5
Peer average (ex Netflix)		12	1	11	1.50	1.36	22.8	10.4	43.8	22.3
CLIQ Digital	€111	(15)	15	17	0.2	0.2	1.7	1.4	3.1	2.6
Premium/(discount)					-83%	-84%	-93%	-86%	-93%	-88%

Source: Edison Investment Research, Refinitiv. Note: Priced at 27 February 2024.

We believe the most suitable valuation metric to use is EV/sales given that some of CLIQ's peers are EBITDA loss-making. As with our 9M23 update, we are now using the average peer multiple, excluding Netflix, given the relatively small size of the peer group. We have excluded Netflix from the peer average due it trading at significantly higher multiples than the peer group, which distorts the comparison. In the last quarter, CLIQ's peers have seen an appreciation in multiples. If priced at parity to peers on this basis, taking an average across FY23 and FY24 EV/sales multiples of 1.43x, CLIQ's implied share price would be €75. At 343% above the current share price of €16.82, this represents significant upside, in our view. We expect that delivery against its financial guidance will narrow the valuation gap.

Exhibit 5: Financial summary

	€m	2021	2022	2023	2024e	2025e
Year end 31 December		IFRS	IFRS	IFRS	IFRS	IFRS
INCOME STATEMENT						
Revenue		150.0	276.1	326.4	375.3	439.1
Cost of Sales		(98.8)	(201.3)	(241.7)	(280.4)	(331.4)
Gross Profit		51.2	74.8	84.6	94.9	107.8
EBITDA		27.2	43.5	50.3	56.0	65.5
Operating profit (before amort. and excepts.)		26.3	42.1	45.9	52.5	60.5
Reported operating profit		26.3	42.1	45.9	52.5	60.5
Net Interest		(0.9)	(1.2)	(0.9)	(0.9)	(0.9)
Profit Before Tax (norm)		25.3	40.9	45.0	51.6	59.7
Profit Before Tax (reported)		25.3	40.9	45.0	51.6	59.7
Reported tax		(7.1)	(11.9)	(13.2)	(15.0)	(17.3)
Profit After Tax (norm)		18.2	29.0	32.0	36.7	42.4
Profit After Tax (reported)		18.2	29.0	31.8	36.7	42.4
Minority interests		0.4	(0.1)	(0.0)	0.8	0.9
Net income (normalised)		17.8	29.1	32.0	35.9	41.4
Net income (reported)		17.8	29.0	31.8	35.9	41.4
Average Number of Shares Outstanding (m)		6.5	6.5	6.5	6.5	6.5
EPS - normalised (€)		2.74	4.47	4.91	5.51	6.37
EPS - normalised fully diluted (€)		2.71	4.45	4.82	5.44	6.28
Dividend (€)		1.10	1.79	0.00	0.00	0.00
Revenue growth (%)		40.2	84.1	18.2	15.0	0.0
Gross Margin (%)		34.1	27.1	25.9	25.3	24.5
EBITDA Margin (%)		18.1	15.8	15.4	14.9	14.9
Normalised Operating Margin		17.5	15.2	14.1	14.0	13.8
BALANCE SHEET						
Fixed Assets		59.4	65.1	69.9	78.3	88.0
Intangible Assets		2.6	8.4	12.1	20.3	29.7
Tangible Assets		3.8	5.0	4.0	4.1	4.2
Goodwill & other		53.0	51.7	53.8	54.0	54.2
Current Assets		36.9	70.0	84.8	124.3	164.1
Receivables		12.5	13.6	20.5	36.0	60.2
Cash & cash equivalents		7.3	16.8	15.7	35.1	50.9
Other		17.1	39.6	48.5	53.2	53.1
Current Liabilities		(27.3)	(31.2)	(33.9)	(41.4)	(48.9)
Creditors		(7.9)	(9.5)	(13.1)	(21.1)	(28.9)
Tax		(1.2)	(2.6)	(6.9)	(6.9)	(6.9)
Borrowings		(5.0)	0.0	0.0	0.0	0.0
Provisions		(0.4)	(0.4)	(0.4)	(0.4)	(0.4)
Other		(12.8)	(18.7)	(13.5)	(13.1)	(12.8)
Long Term Liabilities		(9.4)	(22.6)	(17.7)	(21.4)	(21.1)
Long term borrowings		0.0	(6.6)	0.0	0.2	0.4
Other long term liabilities		(9.4)	(16.0)	(17.7)	(21.6)	(21.5)
Net Assets		59.6	81.3	103.1	139.8	182.1
Minority interests		0.0	(0.1)	(0.1)	0.7	1.6
Shareholders equity		59.5	81.4	103.2	139.0	180.5
CASH FLOW						
Operating Cash Flow		26.8	44.9	53.2	55.1	64.7
Working capital		(1.2)	(18.1)	(19.9)	(7.5)	(16.4)
Exceptional & other		1.3	0.4	2.4	0.9	0.9
Tax		(6.1)	(3.4)	(5.3)	(15.8)	(18.2)
Operating cash flow		20.8	23.8	30.4	32.6	31.0
Capex		(3.3)	(9.6)	(10.7)	(12.4)	(14.1)
Acquisitions/disposals		(10.3)	1.5	(0.2)	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		(3.3)	(7.2)	(11.6)	0.0	0.0
Other		(2.5)	(0.9)	(2.0)	(1.0)	(0.8)
Net Cash Flow		1.4	7.7	5.8	19.3	16.0
Opening net debt/(cash)		(0.9)	(2.3)	(9.9)	(15.7)	(35.1)
FX		0.0	(0.1)	(0.0)	0.0	0.0
Other non-cash movements		0.0	0.0	0.0	0.0	0.0
Closing net debt/(cash)		(2.3)	(9.9)	(15.7)	(35.1)	(51.1)

Source: CLIQ Digital accounts, Edison Investment Research

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