

CLIQ Digital

Streaming ahead

FY22 results

Media

27 February 2023

Price €27.15

Market cap €177m

Net cash (€m) at 31 December 2022 (excluding capitalised finance expenses) 9.9

Shares in issue 6.5m

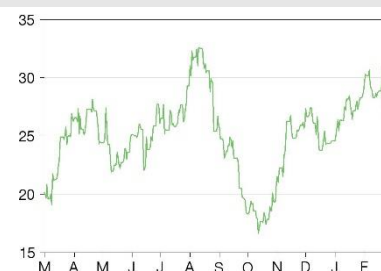
Free float 89%

Code CLIQ

Primary exchange XTRA

Secondary exchange FRA

Share price performance



% 1m 3m 12m

Abs (4.8) 4.5 38.2

Rel (local) (5.6) (0.1) 27.7

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 FY22, 37% of sales were generated in Europe, 57% in North America and 6% in other regions.

Next events

AGM 6 April 2023

Q123 results 4 May 2023

Q223 results 3 August 2023

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CLIQ Digital demonstrated another year of strong revenue growth, driven by elevated levels of marketing expenditure in the year. Margins fell slightly year-on-year due to higher advertising prices and investment into platform development and licensed content to support the group's growing customer base. The substantial uplift in the scale of the business and the strong balance sheet support the 63% increase in the proposed dividend for the year, with the shares offering a premium yield of 6.6% at the current price. We have adjusted our FY23 forecasts to reflect management's updated guidance and introduce our FY24 forecasts, and highlight our expectations for CLIQ to continue the positive momentum.

Year end	Revenue (€m)	EBITDA* (€m)	EPS* (€)	DPS (€)	P/E (x)	Yield (%)
12/21	150.0	27.2	2.71	1.10	10.0	4.0
12/22	276.1	43.5	4.45	1.79	6.1	6.6
12/23e	345.0	51.0	4.99	2.02	5.4	7.5
12/24e	400.2	59.4	5.84	2.37	4.6	8.7

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

Strong progress made in FY22

CLIQ's FY22 results demonstrated another year of strong growth. Sales growth was driven by the continued roll-out of its bundled content subscription strategy, 88% of FY22 revenues (FY21: 72%), underpinned by a 106% y-o-y increase in marketing spend. The continued investment in the platform, the content and marketing spend resulted in an increase in the customer base of 46%, as more customers are being attracted to CLIQ's bundled content offering over single content platforms. The group ended the year with record net cash of €9.9m, providing it with sufficient resources for continued investment and potential M&A activity. Reported EPS grew 63% in the year to €4.47, resulting in a recommended dividend of €1.79, in line with the company's 40% payout policy.

Updated forecasts and new management guidance

We have upgraded our FY23 revenue estimate by 12% while keeping our EBITDA estimate flat, in line with management's expectations. We now forecast 25% revenue growth to €345m and EBITDA growth of 1+7% to €51m. In this note we introduce our FY24 forecasts, expecting continued revenue growth, up 16% to €400m, with EBITDA growth of 16% to €59m, a margin of 14.8%. Our assumptions are underpinned by CLIQ's historical success in converting increased marketing spend to higher customer volumes through its own media buying strategy at a higher margin. These estimates are in line with management's mid-term guidance for revenues to reach over €500m by end-FY25.

Valuation: Continued discount with potential upside

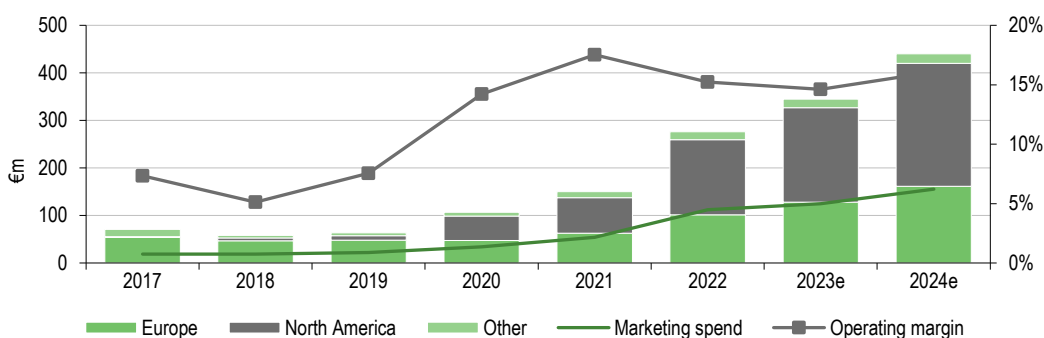
Across FY23 and FY24, CLIQ trades at an average discount to peers of 54% on EV/sales and 70% on EV/EBITDA. If CLIQ were to trade at this level, the implied share price would be €60. This is well ahead of our previous implied value of €42, reflecting the uplift in forecasts and improved sentiment across the sector.

Strategy driving growth

CLIQ has evolved from a single-content portal to a bundled content subscription-based platform that can deliver across five main content verticals: movies and series, music, audiobooks, sports and games. The group now operates in over 30 countries, having expanded into Latin America in Q322. CLIQ has continued to grow revenues globally, with strong growth in North America of 111% and in Europe of 62%. North America accounted for 57% of group revenues in FY22 (FY21: 50%), while Europe made up 37% (FY21: 42%) and ROW 6% (FY21: 8%), highlighting the group's continued expansion in North America.

Its new low-cost bundled subscription portal for the German market, cliq.de, is priced at €6.99 and includes a free 30-day trial period, which should appeal to consumers with current pressures on household disposable income. Additionally, given the rising prices of other content streaming service providers and the numerous subscriptions that households pay for, management believes its one-platform solution should provide a simplified solution to the streaming market.

Exhibit 1: Development across core KPIs, 2017–24e



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

Although the company does not disclose the marketing portals used, given the commercial sensitivities, the majority of advertising spend goes to Google. Of note in particular is that currently CLIQ only advertises on Google display through banners, not on Google search.

CLIQ launched its anticipated low-cost multi-content portal cliq.de in December. Management notes that it is too early yet to give an idea of the success of the launch as marketing activities are yet to fully ramp up, with the first tv commercials having only recently gone live.

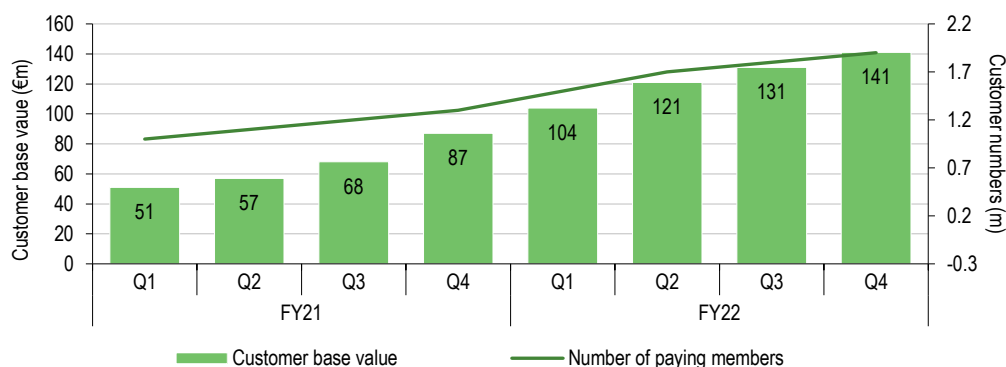
FY22 results

Revenue and profit growth

CLIQ delivered a strong FY22 performance, with full year revenue up 84% to €276.1m and EBITDA up 60% to €43.5m, driven by elevated marketing spend, a key performance indicator, which grew the customer base by 46% to 1.9m. Foreign exchange tailwinds helped revenues by c 7% given CLIQ's exposure to the stronger US dollar. However, the elevated marketing expenditure resulted in a slight dip in the EBITDA margin to 15.8%, down 2.3pp. This was in line with our FY22 forecasts and ahead of the guidance management provided in October 2022. Sales growth continues to be driven by CLIQ's bundled-content subscription strategy, as it develops its content catalogue across

a number of media verticals. Bundled content streaming services grew as a proportion of sales from 72% in FY21 to 88% in FY22.

Exhibit 2: Development across paying membership base

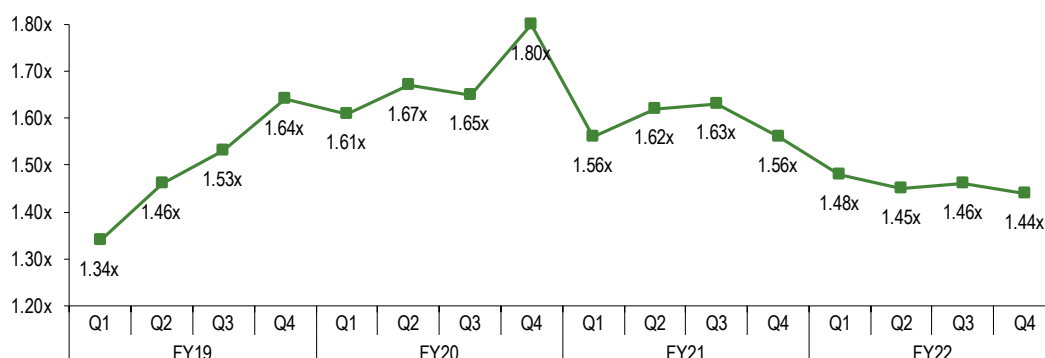


Source: CLIQ Digital

Progress against KPIs

In addition to the key performance indicators (KPIs) we have already discussed, management also discloses a profitability index, which measures the profitability of its campaigns. The profitability index (previously known as CLIQ Factor) is calculated by dividing its average first six months of revenue per customer by the customer acquisition cost, where the company has consistently been above its minimum viable level of 1.4x over the last three years (Exhibit 3). The sustained high levels of investment in marketing in the period resulted in a fall in CLIQ's FY22 profitability index to 1.45x (FY21: 1.59x). Management noted on the earnings call that due to higher advertising prices in Q422 it reduced its marketing activity, resulting in a dip in the Q422 profitability index and higher customer acquisition costs in the period. Although below prior FY22 guidance of around 1.51x, CLIQ notes the increased marketing expenditure was in order to recognise higher gross profit.

Exhibit 3: Profitability factor quarter-on-quarter progression, 2019–22



Source: CLIQ Digital

Strong financial position and high payout policy

The group ended the year in a stronger financial position than we had anticipated, reporting net cash of €9.9m (FY21: €2.3m). This was a result of the strong operating cash flow, which benefited from the growth in paid memberships and the year-on-year reduction in financial cash flows given the acquisition of the minority interest in Hype Ventures made in FY21. Free cash flow dipped 4% driven by the group's investment into platform development and the licensing of new content. With the new three-year €57.5m credit facility agreed in July 2022, which includes an optional €20m

optional facility and two one-year extension options, the group has ample resources for continued investment in the business and potential inorganic M&A opportunities.

CLIQ's proposed dividend represents significant year-on-year growth of 63% to €1.79/share (FY21: €1.10/share), reflecting the group's 40% payout policy and EPS growth. At the current share price, the dividend represents a 6.6% yield.

Updated forecasts

We have increased our FY23 forecasts to reflect management's updated guidance in which it anticipates revenues of over €345m, marketing expenditure greater than €120m and EBITDA of over €50m. We have upgraded our FY23 revenue forecast by 12% while maintaining our EBITDA forecast, estimating revenue growth of 25% to €345m and EBITDA growth of 17% to €51m. We have also increased our marketing expenditure estimate to €125m, at a slower rate than FY22 (+106%), given the slowdown of spend in Q422 due to higher advertising prices. Management has now resumed marketing spend and points to higher levels of expensed advertising in FY23 given increased brand marketing, including TV and out-of-home channels, which is expensed, unlike marketing spent on direct customer acquisition, which CLIQ capitalises. We forecast net cash of €20.3m at end FY23, which reflects the strong free cash flow as the business scales.

We introduce our FY24 forecasts, which reflect management's mid-term target guidance of €500m revenue by end-FY25. We estimate revenue growth of 16% to €400m, with EBITDA of €59m as we maintain the margin. We forecast CLIQ increasing its marketing expenditure in FY24 and believe its strong track record in converting marketing spend to customer acquisition will continue to drive both revenue and profit growth.

Exhibit 4: Summary of forecasts

€m	FY22	FY23e	y-o-y change	FY24e	Y-o-y change
Gross revenue	276	345	25%	400	16%
Marketing spend	112	125	11%	145	16%
EBITDA	44	51	17%	59	16%
EBITDA margin	15.8%	14.8%	-6%	14.8%	0%
Adjusted EBIT	42	50	18%	58	17%
Normalised EPS (€)	4.5	5.1	13%	5.9	17%
Net cash	9.9	20.3	105%	30.0	47%

Source: CLIQ Digital for FY22 figures, Edison Investment Research forecasts

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 5). It should be noted that these groups are of greatly differing scale and have widely differing business models, with correspondingly disparate growth characteristics.

In line with the rally in share prices of global media stocks in the year to date, CLIQ's share price has risen 8% since 1 January 2023, although it is 6pp below the median peer group performance. CLIQ's all-in-one offering provides 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 FY23 and FY24 (see Exhibit 5). Notably, CLIQ is also one out 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 loss making at the EBITDA level. If CLIQ's shares were priced at parity to peers, taking an

average across the FY23 and FY24 peer group median multiples of 1.08x, the implied share price would be €61. This is 121% above the current share price of €27.15, representing potential significant upside to the current share price. We expect it to narrow given CLIQ's continued growth prospects and the addition of the CLIQ.de platform.

Exhibit 5: 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	\$82	19	46	(1)	0.9	1.0	26.6	19.1	N/A	9.2	N/A
Stingray	C\$302	21	10	4	2.3	2.2	6.4	6.0	7.6	6.2	4.1
Spotify	\$22,990	51	13	14	1.5	1.3	N/A	N/A	N/A	N/A	N/A
Netflix	\$144,136	10	9	12	4.4	3.9	20.1	16.4	28.3	22.3	N/A
Alchimie	€10	(19)	(10)	(6)	N/A	N/A	N/A	N/A	24.4	13.9	N/A
Pantaflix	€18	8	92	16	0.4	0.4	0.8	0.8	N/A	29.8	0.0
Nordic Entertainment	SEK20,829	34	25	14	1.1	1.0	24.1	9.1	62.0	12.7	0.0
Storytel	SEK3,050	1	10	12	0.6	0.6	8.8	6.1	N/A	N/A	N/A
Peer median		14	12	12	1.1	1.0	14.4	7.6	26.4	13.3	0.0
CLIQ Digital	€177	8	25	16	0.5	0.5	3.3	2.9	5.4	4.6	6.6
Premium/(discount)					-58%	-50%	-77%	-62%	-80%	-66%	

Source: Edison Investment Research, Refinitiv. Note: Priced at 24 February 2022.

Exhibit 6: Financial summary

	€'m	2020	2021	2022	2023	2024
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	49.7	58.1
Reported operating profit		15.2	26.3	42.1	49.7	58.1
Net Interest		(0.8)	(0.9)	(1.2)	(0.8)	(0.8)
Profit Before Tax (norm)		14.4	25.3	40.9	48.9	57.3
Profit Before Tax (reported)		14.4	25.3	40.9	48.9	57.3
Reported tax		(4.0)	(7.1)	(11.9)	(15.3)	(17.9)
Profit After Tax (norm)		10.4	18.2	29.0	33.6	39.4
Profit After Tax (reported)		10.4	18.2	29.0	33.6	39.4
Minority interests		3.3	0.4	(0.1)	0.7	0.9
Net income (normalised)		7.2	17.8	29.1	32.9	38.5
Net income (reported)		7.2	17.8	29.0	32.9	38.5
Average Number of Shares Outstanding (m)		6.2	6.5	6.5	6.5	6.5
EPS - normalised (€)		1.16	2.74	4.47	5.06	5.92
EPS - normalised fully diluted (€)		1.16	2.71	4.45	4.99	5.84
Dividend (€)		0.46	1.10	1.79	2.02	2.37
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	14.4	14.5
BALANCE SHEET						
Fixed Assets		55.2	59.4	65.1	74.2	83.2
Intangible Assets		0.8	2.6	8.4	15.7	23.8
Tangible Assets		2.2	3.8	5.0	6.5	7.3
Goodwill & other		52.3	53.0	51.7	51.9	52.1
Current Assets		21.7	36.9	70.0	94.2	122.3
Receivables		9.1	12.5	13.6	18.9	27.4
Cash & cash equivalents		4.9	7.3	16.8	26.9	36.4
Other		7.7	17.1	39.6	48.4	58.6
Current Liabilities		(12.9)	(27.3)	(31.2)	(36.1)	(40.9)
Creditors		(2.0)	(7.9)	(9.5)	(14.0)	(18.0)
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	106.9	135.5
Minority interests		4.8	0.0	(0.1)	0.7	1.5
Shareholders equity		50.8	59.5	81.4	106.3	133.9
CASH FLOW						
Operating Cash Flow		15.1	26.8	44.9	50.2	58.6
Working capital		1.6	(1.2)	(18.1)	(0.8)	(4.5)
Exceptional & other		0.9	1.3	1.6	2.8	2.8
Tax		(2.8)	(6.1)	(3.4)	(16.1)	(18.7)
Operating cash flow		14.8	20.8	25.0	36.2	38.2
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)	(13.2)	(15.4)
Other		(1.5)	(2.5)	(1.0)	(1.4)	(0.9)
Net Cash Flow		10.5	1.4	8.9	10.4	9.6
Opening net debt/(cash)		9.6	(0.9)	(2.3)	(9.9)	(20.3)
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)	(20.3)	(30.0)

Source: Company accounts, Edison Investment Research. Note: *Excluding capitalised finance expenses.

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