

CLIQ Digital

Media
4 November 2021

Capturing the market opportunity

CLIQ Digital is a leading European content provider, which has seen strong revenue growth and margin improvement in 2021, underpinned by its new media buying strategy. Customer growth throughout the year has been robust, supported by its attractive pricing model and extensive all-in-one platform. Enriching its platform's content should be key to capturing the market opportunity and management has been successful in doing this so far in 2021, particularly in family, gaming and sport. Its Hype ventures minority acquisition in H121 had an immediate impact on EPS and should lead to a considerable rise in full year dividend given the group's targeted 40% payout policy.

Raised guidance shows success of new strategy

On 17 September, management raised FY21 guidance and now expects to generate gross revenue of c €145m (previously at least €140m) and EBITDA of c €26m (previously c €22m), representing y-o-y growth of 36% and 63% respectively. CLIQ's [Q321 results](#) indicate ytd growth has been driven by higher marketing spend and supported by its strategy of direct media buying rather than affiliate marketing. Through direct media buying, management can focus its marketing spend on audiences, which should deliver greater profitability by cutting out fees paid to affiliate partners. This was a driver of its 9M21 performance, where gross revenue and EBITDA rose by 34% y-o-y and 75% y-o-y respectively. Our current forecasts pre-date management's raised guidance.

Robust interim results

Marketing spend, which directly influences its core key performance indicators, was up 41% y-o-y to €13.8m in Q3 and up +33% for 9M21. With direct media buying now contributing to most of its marketing spend at 76% (9M20: 55%), CLIQ was able to grow its EBITDA margin by 4pp at 9M21 to 18%. CLIQ factor, calculated by dividing average revenue per user for the next six months by the costs of acquiring them, was 1.63x in Q321, reflecting consistent q-o-q improvement in 2021. Enriched content on its all-in-one platform should further improve customer retention, helping grow its share of the niche all-in-one entertainment market.

Valuation: Strong share price performance

CLIQ's share price is up 858% since the start of 2020 and up 64% ytd. On sales and EBIT, CLIQ trades on FY22e EV multiples of 1.0x and 5.6x, representing a discount of 66% and 78% respectively to our peer group.

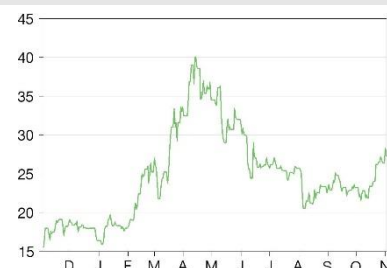
Edison estimates

Year end	Revenue (€m)	PBT* (€m)	EPS* (€)	EV/EBIT (x)	P/E (x)	Yield (%)
12/19	63.1	3.9	0.4	35.3	68.3	N/A
12/20	107.0	14.4	1.2	11.1	22.8	1.7
12/21e	142	20.7	1.6	7.8	17.1	3.6
12/22e	172.7	28.3	2.2	5.6	12.4	5.2

Source: CLIQ, Edison Investment Research. Note: *PBT and EPS are normalised, excluding amortisation of acquired intangibles, exceptional items and share-based payments.

Price €27.3
Market cap €177m

Share price graph



Share details

Code	CLIQ
Shares in issue	6.5m
Net cash (€m) at 30 September 2021	0.7

Business description

CLIQ Digital is a leading direct marketing and sales organisation for digital products, with its own global payments and distribution platform. It works in 34 countries. In Q321, 42% of sales were generated in Europe, 49% in North America, and 9% in other regions.

Bull

- The pandemic's positive impact on demand for mobile entertainment.
- All-in-one platform offers music, movies, sports, games and audiobooks, providing a recognisable competitive advantage.
- Subscription-based model provides robust revenue visibility.

Bear

- As the group scales it may become harder to maintain the same rate of marketing efficiency.
- Uncertainty around content costs when entering new geographies.
- Competitive markets.

Analysts

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