

CLIQ Digital

Delivering growth and profitability

FY21 results

Media

8 March 2022

Price €19.9

Market cap €129m

Net cash (€m) at 31 December 2022 2.3

Shares in issue 6.5m

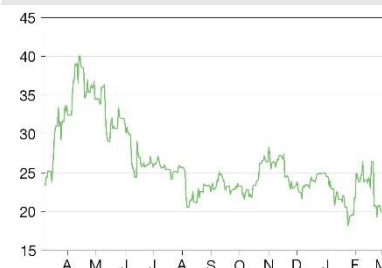
Free float 89%

Code CLIQ

Primary exchange XETRA

Secondary exchange FRA

Share price performance



% 1m 3m 12m

Abs (19.1) (13.3) (8.3)

Rel (local) (4.2) 6.8 (0.6)

52-week high/low €41.00 €18.20

Business description

CLIQ Digital is a global streaming provider specialising in the direct marketing of affordable entertainment products and offering its members unlimited access to music, audiobooks, sports, movies and games. It works in over 30 countries. In FY21, 42% of sales were generated in Europe, 50% in North America and 8% in other regions.

Next events

Q122 results 3 May 2022

Q222 results 2 August 2022

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CLIQ Digital showed strong profitable growth in its FY21 results, driven by increased marketing spend with a focus on direct media buying. Enriched content on its platform across all channels was also vital for developing its customer base, both in number and lifetime value. The company also announced a proposed 136% y-o-y rise in its dividend to €1.10 (c 5.5% yield), as a result of its strong trading and 40% payout policy. We have left our FY22 forecasts virtually unchanged from our [last update](#) and we now introduce our FY23 forecasts, showing our expectation for CLIQ's positive momentum to continue into FY23.

Year end	Revenue (€m)	PBT* (€m)	Adj EPS* (€)	DPS (€)	P/E (x)	Yield (%)
12/20	107.0	14.4	1.2	0.5	17.2	2.3
12/21	150.0	25.3	2.6	1.1	7.6	5.5
12/22e	210.4	32.0	3.3	1.3	6.0	6.6
12/23e	290.2	47.1	4.8	2.0	4.1	9.8

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

FY21 results confirm strong year

CLIQ's FY21 results have not changed since its FY21 trading update in February, which we have analysed [previously](#). Sales growth was driven by the development of the multi-content strategy, underpinned by several content deals across sport, family entertainment and games, and a 59% y-o-y increase in marketing spend to €54.4m. Management's investment in enriching the content of its platform contributed to its member base growing 43.5% to 1.3 million, as more customers choose CLIQ's higher value multi-content offering rather than single content. Its shift to direct media buying, instead of media buying through affiliates, has been key to enhancing the impact that marketing spend has on revenue growth. Basic EPS grew by 136% in FY21 to €2.74, resulting in a dividend of €1.1 for the year, in line with the group's dividend policy of a 40% pay-out ratio.

FY23 forecasts and new management guidance

We have left our FY22 forecasts unchanged from our [previous update](#), which show revenue growing by 40% to €210m and EBITDA up 22% to €33m. In this note we introduce our FY23 forecasts: we expect momentum to continue from FY22 with revenue growth of 38% y-o-y to €290m and EBITDA growth of 46% to €48.7m, equating to a margin of 17%. These growth trajectories are in line with management's FY25 guidance for revenue over €500m, equating to a CAGR of at least 35%. Our FY23 EBITDA margin assumption is 1pp higher than in FY22, but in line with what CLIQ has delivered historically, and reflects the higher margin potential of its direct media buying strategy.

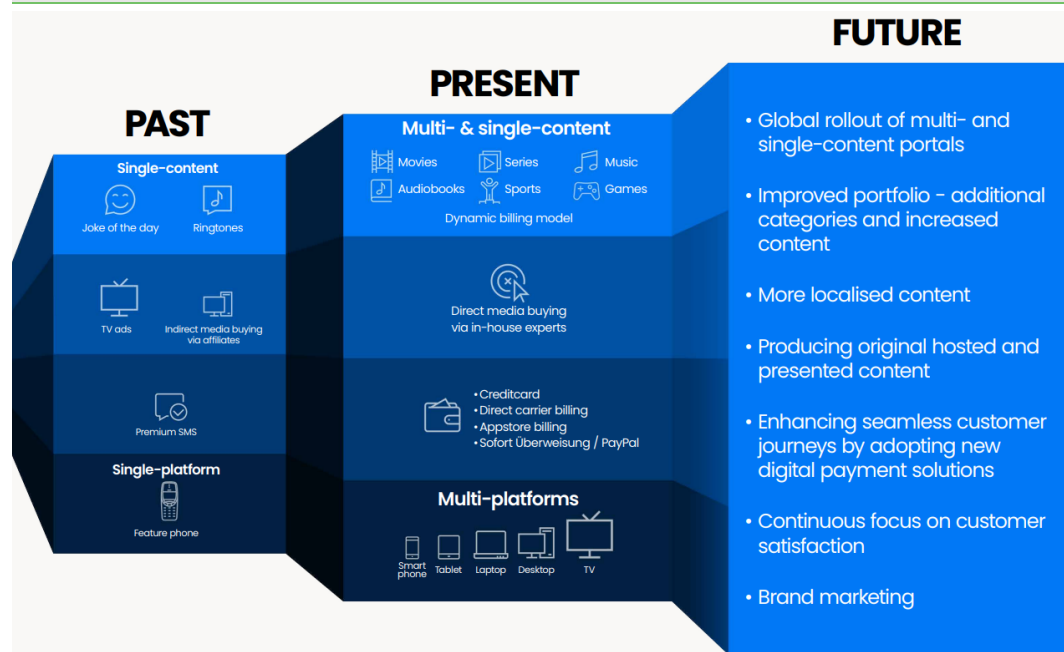
Valuation: Significant upside potential

Across FY22 and FY23, CLIQ trades at an average discount of 69% on EV/sales and 82% on EV/EBITDA. Below we calculate an implied share price using CLIQ's peer multiples, giving a value of €62.34, highlighting significant upside potential.

Recent strategies driving growth

CLIQ has evolved past being a single content portal to a platform that can deliver several types of content across myriad platforms (Exhibit 1). The group is rolling out its all-in-one subscription offer in major countries across Europe, North America and many emerging markets, all at attractive price points, for example, €14.99 in Europe.

Exhibit 1: Broadening its capabilities



Source: CLIQ Digital

The group constantly looks for new ways to attract new members and retain existing ones. For example, it has expanded past direct carrier billing to provide customers multiple payment options. Over 2021, management saw an increasing number of customers using credit card payments, which benefits CLIQ's gross margin as it reduces the costs of sales attributable to third parties, such as fees charged by a mobile carrier.

Investing in its multi-content portal

Management invested significantly in enriching its all-in-one portal, particularly across family entertainment, sport and cloud gaming in 2021. Below we highlight several key content deals:

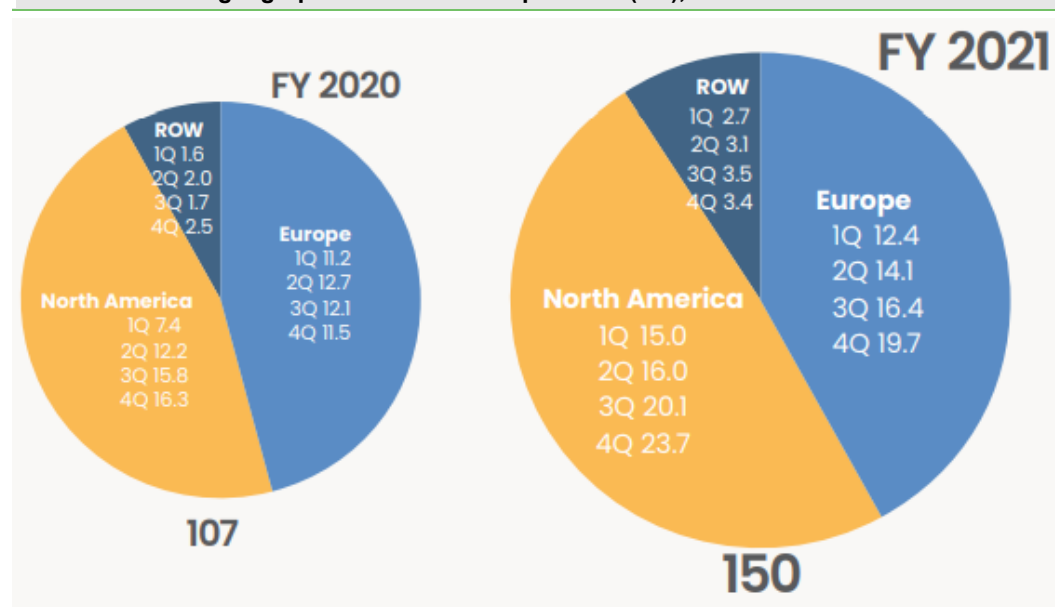
- In February 2022, CLIQ signed a new licensing deal with Palatin Media Film & Fernseh, providing 14 new full series for its German and Austrian portals, equating to more than 400 hours of entertainment.
- In August 2021, the company signed a five-year worldwide licensing agreement with Blacknut's multiscreen cloud gaming service. Since the deal, members will have access to over 500 high-quality cloud games.
- Also in August 2021, its newly agreed licensing deal with Lighthouse Home Entertainment provided members with over 360 high-quality films from 1 September 2021, where two new releases are offered every month.
- In July 2021, CLIQ announced it had secured the exclusive live broadcasting rights in Germany, Austria and Switzerland for the Italian Serie B football championship.

Investments in the company's content fostered strong customer growth in 2021, both from new and existing customers. By end-December, CLIQ reported it had grown its customer base 44% y-o-y to 1.3 million and its customer lifetime value by 74% y-o-y to €87m. CLIQ expects this to continue in 2022 and expects customer numbers to reach 1.7–1.8m by the end of the year (up 31–38% y-o-y) and its customer lifetime value to be greater than €110m (up >26% y-o-y).

Growing implementation of direct media buying

From FY19, management switched its marketing spend strategy, emphasising direct media buying over affiliate marketing. Through direct media buying, management can better focus its marketing spend on audiences, delivering greater agility and growth for every marketing euro spent. It is also expected to provide increased profitability by cutting out fees paid to intermediaries. Direct media buying was first rolled out in North America in FY20, driving a 479% y-o-y increase in the region's revenue contribution that year, resulting in it becoming CLIQ's largest market. Management implemented direct media buying in its European market across FY21, contributing to a 32% y-o-y growth in the region (FY20 -2%), where its performance accelerated throughout the year.

Exhibit 2: CLIQ's geographical revenue comparisons (€m), FY20–FY21



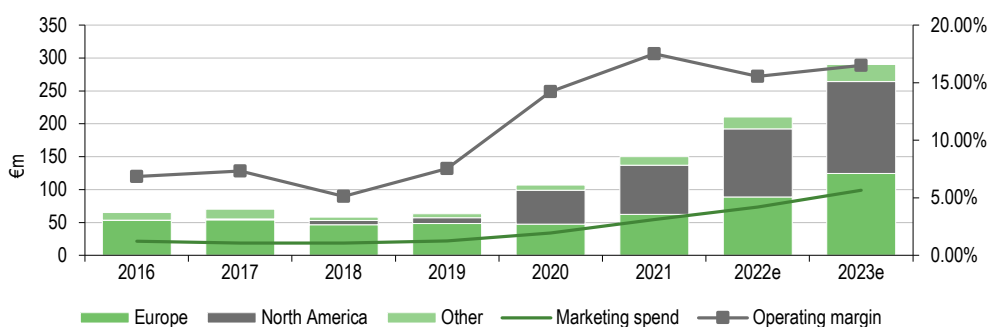
Source: CLIQ Digital

However, management will still use affiliate marketing when penetrating new emerging markets. The company recognises the importance of working with local experts, who can buy the required and most promising advertising space.

Strong growth supported by robust balance sheet

Revenue and profit growth

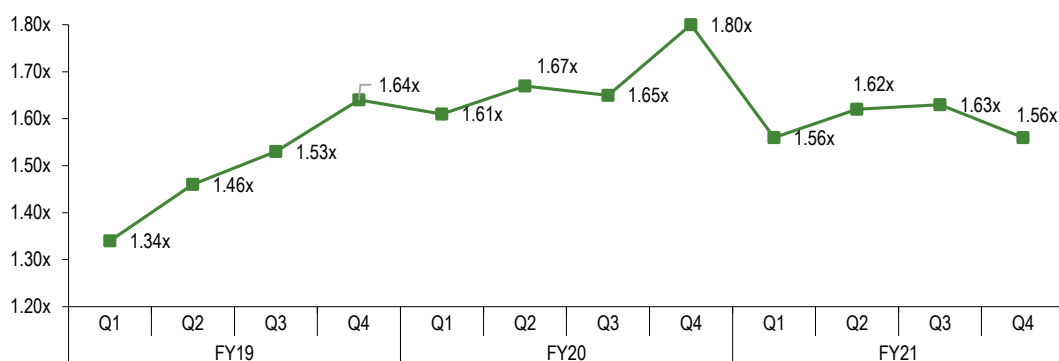
CLIQ's FY21 results confirm that performance over the year was strong, with full-year revenue up 40% to €150m and EBITDA up 70% to €27.2, leading to a margin increase of 3pp to 18%. This was in line with our forecasts for the year, but ahead of the guidance management gave in September 2021. Sales growth was driven by both the development of its multi-content strategy, underpinned by several content deals across sport, family entertainment, and games, and a 59% y-o-y increase in marketing spend to €54.4m. As well as being a significant growth driver, its strategy of direct media buying continued to deliver margin improvements throughout the year due to the reduction in fees paid to affiliates.

Exhibit 3: Development across core KPIs, 2016–2023e


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

Development across KPIs

In addition to the 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 4). We note that the multiple has fallen from a peak of 1.8x in Q420 due to the required increased marketing investment to acquire new customers, however it still remains significantly above its minimum level of 1.4x by the end of FY21 and in line with company guidance.

Exhibit 4: Profitability factor q-o-q progression, 2019–2021


Source: CLIQ Digital

Robust financial position and high payout policy

The group ended the year in a strong financial position, reporting net cash of €2.3m. This was supported by profit growth in the year and a 23.9% y-o-y increase in operating FCF to €17.5m. We expect this trend of robust FCF generation to continue, which will give the company the firepower for more marketing, acquisitions to enter new markets or expand the platform's capabilities in new areas, such as virtual reality.

The group's proposed dividend represents a substantial increase of 136% to €1.1/per share, reflecting the group's 40% payout policy and EPS growth during the year. At its current share price, this represents a 5.5% yield. EPS immediately benefitted from its Hype Ventures minority acquisition in H121, which is explained further in our [H121 update note](#).

Our FY23 forecasts

We have left our FY22 forecasts unchanged from our [previous update](#), which was published following CLIQ's FY21 trading update. Our headline estimates show revenue growth of 40% in the year to €210m and EBITDA growth of 22% to €33m, indicating downward pressure on margins from increased investments in its content and marketing. That said, we have increased our net cash forecast for the end of FY22, estimating a net cash position of €8.2m (up from net debt of €5.3m) due to greater clarity on its capitalised marketing spend and amortised contract costs.

Introducing our FY23 forecasts

For the first time in its history, CLIQ has provided mid-term guidance, targeting revenues over €500m by end-FY25. We have reflected this in our FY23 forecasts, estimating revenue will grow by another 38% y-o-y to €290m and EBITDA by 46% to €48.7m, which will be driven by continuing momentum across all its core markets. Additionally, we believe that EBITDA margin will increase by 1pp, underpinned by the continuing roll-out of its direct media buying strategy and reflecting the benefits of the investments made in FY22.

Exhibit 5: Summary of our forecasts

€m	FY21a	FY22e	y-o-y change (%)	FY23e	y-o-y change (%)
Gross revenue	150.0	210.4	40%	290.2	38%
Marketing spend	54.4	73.4	35%	99.1	35%
EBITDA	27.2	33.4	23%	48.7	46%
EBITDA margin	18%	16%	(2%)	17%	1%
Adj EBIT	26.3	32.7	24%	47.9	47%
Adj net income	17.0	21.5	26%	31.7	48%
Adj diluted EPS (€)	2.7	3.4	26%	5.0	47%
Net cash	2.3	8.2	257%	17.5	113%

Source: Edison Investment Research

Valuation

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

On an EV basis, CLIQ continues to trade at a significant discount to its peers across sales and EBITDA across FY22 and FY23. This is also the case on a P/E basis across both years. However, we highlight that many of these companies are not yet profitable, meaning EBITDA and EPS multiples cannot represent the entire peer group. Notably, CLIQ is also one out of two companies in the peer group that pays a dividend and its forecast sales growth across FY22 and FY23 is significantly higher than the peer group. We believe that management has now positioned the company well to close the discount in the medium term.

Pricing the shares on an EV/sales and EV/EBITDA basis across FY22 and FY23 would indicate a share price €62.34 for CLIQ. We note that this has fallen from [our last indicated price](#) of €75 per share, mainly due to the average share price fall of the peer group. Despite its own share price fall YTD, CLIQ has outperformed its peers by 12pp, which we believe could be driven by the company delivering profitable growth during the year.

Exhibit 6: Peer valuation metrics

	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	\$116	(43)	63	10	2.2	2.0	15.7	67.5	133.0	N/A	N/A
Stingray	C\$370	1	7	14	2.6	2.2	7.0	6.0	8.4	7.1	4.4
Spotify	\$25,078	944	17	19	1.8	1.5	90.2	N/A	890.0	100.7	N/A
Netflix	\$155,503	(42)	12	13	4.9	4.4	22.6	18.0	31.8	24.4	N/A
Alchimie	€9	(64)	-34	1	N/A	N/A	N/A	N/A	N/A	3.5	N/A
Pantaflix	€23	0	15	11	0.7	0.6	2.0	1.8	9.0	7.8	0.0
Nordic Entertainment	SEK24,226	(35)	23	22	1.3	1.1	30.5	15.5	74.7	27.9	0.0
Glu Mobile	\$2,204	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Storytel	SEK5,432	(52)	27	18	1.0	0.9	N/A	53.3	N/A	N/A	0.0
Peer average		(31)	16	13	1.8	1.5	19.1	16.7	53.3	16.1	0.0
CLIQ Digital	€129	(19)	40	38	0.6	0.4	3.8	2.6	6.0	4.1	5.5
Premium/(discount)			24%	25%	(67%)	(71%)	(80%)	(84%)	(89%)	(75%)	

Source: Edison Investment Research, Refinitiv. Note: Priced at 8 March 2022.

Exhibit 7: Financial summary

	€m	2019	2020	2021	2022e	2023e
31-December		IFRS	IFRS	IFRS	IFRS	IFRS
INCOME STATEMENT						
Revenue		63.1	107.0	150.0	210.4	290.2
Cost of Sales		(44.3)	(72.0)	(98.8)	(145.1)	(197.6)
Gross Profit		18.8	34.9	51.2	65.2	92.6
EBITDA		5.8	15.9	27.2	33.4	48.7
Normalised operating profit		4.8	15.2	26.3	32.7	47.9
Reported operating profit		4.8	15.2	26.3	32.7	47.9
Net Interest		(0.9)	(0.8)	(0.9)	(0.7)	(0.8)
Profit Before Tax (norm)		3.9	14.4	25.3	32.0	47.1
Profit Before Tax (reported)		3.9	14.4	25.3	32.0	47.1
Reported tax		0.0	(4.0)	(7.1)	(10.0)	(14.7)
Profit After Tax (norm)		3.9	10.4	17.4	22.0	32.4
Profit After Tax (reported)		3.9	10.4	18.2	22.0	32.4
Minority interests		1.7	3.3	0.4	0.5	0.7
Net income (normalised)		2.2	7.2	17.0	21.5	31.7
Net income (reported)		2.2	7.2	17.8	21.5	31.7
Average number of shares outstanding (m)		6.2	6.2	6.2	6.5	6.5
EPS - basic (€)		0.36	1.16	2.62	3.30	4.88
EPS - normalised fully diluted (c)		0.35	1.16	2.59	3.26	4.81
Dividend (€)		0.28	0.46	1.10	1.32	1.95
Revenue growth (%)		8.5	69.4	40.2	40.3	38.0
Gross Margin (%)		29.8	32.7	34.1	31.0	31.9
EBITDA Margin (%)		9.1	14.9	18.1	15.9	16.8
Normalised Operating Margin		7.6	14.2	17.5	15.6	16.5
BALANCE SHEET						
Fixed Assets		52.9	55.2	59.4	62.0	65.4
Intangible Assets		0.7	0.8	2.6	5.0	7.5
Tangible Assets		0.7	2.2	3.8	5.2	6.0
Goodwill & other		51.5	52.3	53.0	51.7	51.9
Current Assets		15.2	21.7	36.9	50.8	59.1
Receivables		8.2	9.1	12.5	17.3	17.6
Cash & cash equivalents		0.7	4.9	7.3	13.2	19.5
Other		6.3	7.7	17.1	20.3	22.0
Current Liabilities		(8.7)	(12.9)	(27.3)	(24.3)	(18.1)
Creditors		(2.0)	(2.0)	(7.9)	(10.4)	(4.2)
Tax		(1.1)	(3.2)	(1.2)	(1.2)	(1.2)
Borrowings		0.0	0.0	(5.0)	0.0	0.0
Provisions		0.0	(0.4)	(0.4)	(0.4)	(0.4)
Other		(5.6)	(7.3)	(12.8)	(12.4)	(12.4)
Long Term Liabilities		(12.7)	(8.5)	(9.4)	(14.2)	(11.1)
Long term borrowings		(9.9)	(3.8)	0.0	(4.9)	(1.9)
Other long term liabilities		(2.8)	(4.7)	(9.4)	(9.3)	(9.2)
Net Assets		46.7	55.6	59.6	74.3	95.3
Minority interests		2.0	4.8	0.0	0.5	1.2
Shareholders equity		44.7	50.8	59.5	73.7	94.1
CASH FLOW						
Op Cash Flow before WC and tax		4.8	15.1	26.8	32.7	47.9
Working capital		(1.9)	1.6	(1.2)	(2.3)	(6.5)
Exceptional & other		0.9	0.9	1.3	(1.4)	0.5
Tax		(1.3)	(2.8)	(6.1)	(11.0)	(15.5)
Operating cash flow		2.5	14.8	20.8	18.0	26.3
Capex		(0.4)	(0.7)	(3.3)	(3.4)	(3.6)
Acquisitions/disposals		(3.4)	0.0	(10.3)	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		0.0	(2.1)	(3.3)	(8.6)	(12.7)
Other		(1.6)	(1.5)	(2.5)	(0.1)	(0.8)
Net Cash Flow		(2.9)	10.5	1.4	5.9	9.3
Opening net debt/(cash)		6.8	9.6	(0.9)	(2.3)	(8.2)
FX		0.0	(0.0)	0.0	0.0	0.0
Other non-cash movements		0.0	0.0	0.0	0.0	0.0
Closing net debt/(cash)		9.6	(0.9)	(2.3)	(8.2)	(17.5)

Source: CLIQ Digital, Edison Investment Research

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