

CLIQ Digital

Entering its next growth phase

Q321 results

Media

CLIQ Digital's Q3 results were strong, with gross revenue of €40m (+35% y-o-y, +21% q-o-q) and EBITDA of €7.4m (+63% y-o-y), growing in line with management's raised [FY21 guidance announcement](#). On a nine-month basis, gross revenue was €103m (+34% y-o-y) and EBITDA was €19m (+75% y-o-y), reflecting management's increased marketing spend, focus on direct media buying and its enriched content offering. We have raised our profit and margin forecasts for FY21 and FY22, reflecting the company's higher-margin strategy of direct media buying over affiliate marketing. During the quarter, CLIQ has signed licensing deals adding over 360 movies and 500 cloud games to its all-in-one platform.

Year end	Revenue (€m)	PBT* (€m)	EPS* (€)	DPS (€)	P/E (x)	Yield (%)
12/19	63.1	3.9	0.4	0.3	73.6	N/A
12/20	107.0	14.4	1.2	0.5	22.7	1.7
12/21e	149.9	26.5	2.7	1.1	9.9	4.1
12/22e	190.2	33.0	3.5	1.4	7.5	5.3

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

Indicators highlight positive momentum

Marketing spend, a key performance driver, was up 41% y-o-y to €13.8m in Q321 and up 33% to €34.8m for 9M21. Direct media buying, rather than affiliate marketing, now contributes most to marketing spend at 76% (9M20: 55%), reducing CLIQ's fees to affiliate partners. For 9M21, EBITDA margin expanded by 4pp to 18%. CLIQ's customer base value, calculated by multiplying the number of members on its platform by remaining lifetime value, grew by 25% q-o-q to €50m in Q321, indicating continuing positive momentum. We have raised our FY21 and FY22 revenue forecasts by 3.3% and our EBITDA forecasts for both years by 27.3% and 22.6% respectively.

Continuing to enrich all-in-one platform

So far in 2021, management has signed several licensing deals, focusing on new categories and demographics, which it sees as key for both customer retention and growth. During Q321, CLIQ agreed a two-year deal with Lighthouse Home Entertainment, for 360 high-quality German, European and International films, as well as a five-year deal with Blacknut's Cloud Gaming Service, integrating 500 games titles to its platform from 2022 onwards. Cloud-gaming is management's current primary focus, underpinned by Grand View Research's forecasts for global sales growth of 48% y-o-y until 2027, equating to a total market size of \$7.2bn.

Valuation: Share price at record highs in 2021

CLIQ's share price has performed very strongly over the last two years. Nevertheless, based on the peer group average EV/sales multiple over FY21 and FY22, CLIQ currently trades at a 65% discount, which we believe should narrow as management continues to deliver superior growth. Parity would equate to a share price of €75.0.

9 November 2021

Price €26.3

Market cap €163m

Net cash (€m) as at 30 September 2021 0.7

Shares in issue 6.5m

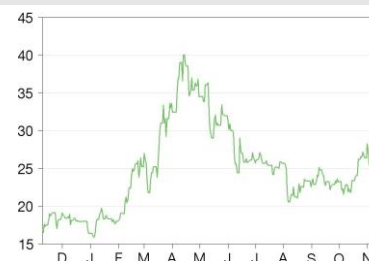
Free float 89%

Code CLIQ

Primary exchange XETRA

Secondary exchange FRA

Share price performance



%	1m	3m	12m
Abs	12.7	25.1	42.8
Rel (local)	6.8	22.8	11.0
52-week high/low	€41.00	€15.50	

Business description

CLIQ Digital is a leading lifestyle company providing members worldwide with streaming entertainment services. In 2020, 45% of sales were generated in Europe, 48% in North America and 7% in other regions.

Next events

FY21 results February 2022

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Strong growth in 2021 underpins our raised forecasts

CLIQ Digital has continued to grow revenue and profits q-o-q in 2021 as it increases marketing spend and rolls out its direct media buying strategy in Europe, following its successful implementation in its US operations in 2020. Growth has also been fostered by the enriched content offering on its all-in-one platform, particularly in family, gaming and sport, while maintaining its attractive pricing structure. Highlights include:

- From 1 September 2021, members will be able to stream over 360 high-quality films following its newly agreed licensing deal with Lighthouse Home Entertainment, which also includes two new releases every month.
- From early 2022, members be able to access over 500 high-quality cloud games following its licensing deal for Blacknut's multiscreen Cloud Gaming Service.
- In July 2021, CLIQ announced that it had secured the exclusive live broadcasting rights in Germany, Austria and Switzerland for the Italian Serie B football championship.

Exhibit 1: Summary of performance growth

€m	9M20	9M21	y-o-y change	Q320	Q321	y-o-y change
Gross revenue	76.8	103.2	34%	29.7	40.0	35%
Marketing spend	28.2	34.8	33%	9.8	13.8	41%
EBITDA	10.9	19.0	75%	4.5	7.4	63%
EBITDA margin	14%	18%	4pp	15%	19%	4pp
EBIT	10.3	18.1	75%	4.4	7.0	60%
Net income	7.3	12.3	69%	2.9	4.7	62%
Diluted EPS (€)	0.80	1.82	128%	0.32	0.70	119%

Source: CLIQ Digital

Credit card remained the predominant and fastest-growing payment means during the period, amounting to 69% of gross revenue (H121: 67%). Customers' adoption of credit cards for mobile purchases benefits gross margin as it reduces the costs of sales attributable to third parties, such as fees charged by a mobile carrier.

Exhibit 2: Summary of changes to forecasts

€'m	FY21e			FY22e		
	New	Old	y-o-y change	New	Old	y-o-y change
Gross revenue	149.9	142.0	5.6%	190.2	172.7	10.1%
Net revenue	127.0	119.1	6.6%	169.4	152.1	11.4%
EBITDA	27.7	22.4	23.8%	34.3	30.3	13.2%
EBITDA margin	18%	16%	2.7pp	18%	18%	0.5pp
Normalised EBIT	27.1	21.8	24.5%	33.6	29.6	13.5%
Normalised EBIT margin	18%	15%	2.7pp	18%	17%	0.5pp
Net income for equity	17.8	14.5	22.5%	22.2	20.0	11.2%
Normalised basic EPS (€)	2.8	2.2	25.2%	3.7	3.2	13.7%
Normalised diluted EPS (€)	2.8	2.2	25.2%	3.6	3.2	13.7%
Dividend per share (€)	1.1	0.9	25.2%	1.4	1.23	13.7%
Net debt/(cash)	(3.1)	2.7	N/A	(13.1)	(4.7)	176.8%

Source: Edison Investment Research

We have raised our FY21 revenue forecast by 5.6% to €149.9m, in line with current consensus and management's guidance for the year. We have increased our FY22 revenue forecast 10.1% as we expect momentum to continue next year, supported by further content additions and planned entry into new markets, which management intends to start in Q122.

Our updated EBITDA forecasts imply higher margin expansion in FY21 than previously expected, reflecting the continued roll-out of its direct media buying strategy in Europe. Direct media buying teams are a largely fixed cost, reducing cost pressures as the company scales. However, we anticipate that costs relating to improving its content offering will affect profitability. Additionally, we

believe the greatest impact to margins from its direct media buying strategy will be in FY21 due its roll-out in Europe for the first time. We have therefore kept our FY22 EBITDA margin broadly flat at 18%.

Our EPS and dividend forecasts have risen in line with EBITDA, where our prior expectations for EPS reflected the immediate uplift from CLIQ's acquisition of its minority interest in Hype Ventures.

Finally, we now believe CLIQ will be in a net cash position at the end of the year, reflecting its net cash position of €0.7m at the end of Q321 and our expectations for profit growth for the rest of FY21. We believe its FY22 net cash position can reach €13.1m, up from our prior expectation of €4.7m, due to its current cash generation, our expectation of improving margins and our €5.8m uplift to our FY21 net cash position.

Valuation

CLIQ's share price has grown over 750% since the start of 2020 and reached a record high of €38.5 in April, supported by heightened demand for mobile entertainment during the pandemic, CLIQ's enriched all-in-one platform and management delivering on its direct media buying strategy. Despite this, and its relatively high sales growth forecast compared to peers, CLIQ remains at a significant discount to other global entertainment and customer acquisition peers on consensus EV/sales, EV/EBIT and P/E, across FY21 and FY22.

As consensus forecasts indicate that the majority of CLIQ's peer group will still be loss making at the EBIT level, we believe the most suitable valuation metric is EV/sales. Were CLIQ's shares to be priced at parity to peers at an average across FY21 and FY22, the implied share price would be €75.0. This represents a 65% discount to the current price of €26.3, which we believe will narrow as the company grows and as management continues to add content to its platform, as well as continuing to roll-out its direct media buying strategy.

Exhibit 3: Peer valuation

Company	Market cap (m)	Share price perf ytd (%)	Sales growth (%)		EV/Sales (x)		EV/EBIT (x)		P/E (x)	
			FY1e	FY2e	FY1e	FY2e	FY1e	FY2e	FY1e	FY2e
Cinedigm	\$386	257	57	15	7.7	6.7	N/A	N/A	N/A	N/A
Stingray	C\$356	2	11	7	2.5	2.3	10.6	8.3	8.0	7.0
Spotify	\$54,957	-9	18	20	4.8	4.0	3034.9	N/A	N/A	596.4
Netflix	\$288,561	20	19	15	10.0	8.7	48.3	38.4	60.7	49.6
Alchimie	€30	-48	16	25	0.8	0.7	N/A	N/A	N/A	N/A
Pantaflix	€24	23	296	16	0.8	0.7	N/A	10.7	N/A	10.1
Nordic Entertainment	SEK40,119	12	3	24	3.4	2.7	55.3	108.6	67.4	135.7
Glu Mobile	\$2,204	39	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Storytel	SEK10,592	-43	24	25	3.4	2.7	N/A	N/A	N/A	N/A
Peer average			56	18	3.4	2.7	51.8	24.5	60.7	49.6
Clq Digital	€163	58	40	27	1.1	0.9	6.0	4.8	9.9	7.5
Premium/(discount)					-68%	-69%	-88%	-80%	-84%	-85%

Source: Refinitiv, Edison Investment Research. Note: Priced at 9 November 2021.

Exhibit 4: Financial summary table

	€m	2018	2019	2020	2021e	2022e
31-December		IFRS	IFRS	IFRS	IFRS	IFRS
INCOME STATEMENT						
Gross revenue		58.2	63.1	107.0	149.9	190.2
Net revenue		39.1	44.3	81.5	127.0	169.4
Cost of Sales		(42.1)	(44.3)	(72.0)	(87.9)	(100.8)
Gross Profit		16.2	18.8	34.9	62.0	89.4
EBITDA		3.9	5.8	15.9	27.7	34.3
Normalised operating profit		3.0	4.8	15.2	27.1	33.6
Reported operating profit		3.0	4.8	15.2	27.1	33.6
Net Interest		0.4	(0.9)	(0.8)	(0.6)	(0.6)
Profit Before Tax (norm)		3.4	3.9	14.4	26.5	33.0
Profit Before Tax (reported)		3.4	3.9	14.4	26.5	33.0
Reported tax		(0.4)	0.0	(4.0)	(8.3)	(10.3)
Profit After Tax (norm)		3.0	3.9	10.4	18.2	22.7
Profit After Tax (reported)		3.0	3.9	10.4	18.2	22.7
Minority interests		0.8	1.7	3.3	0.4	0.5
Net income (normalised)		2.2	2.2	7.2	17.8	22.2
Net income (reported)		2.2	2.2	7.2	17.8	22.2
Basic average number of shares outstanding (m)		6.2	6.2	6.2	6.7	6.3
EPS - basic (€)		0.35	0.36	1.16	2.67	3.50
EPS - diluted (€)		0.34	0.35	1.14	2.63	3.45
Dividend (€)		0.00	0.28	0.46	1.07	1.40
Revenue growth (%)		(-17.5)	8.5	69.4	40.2	26.9
Gross Margin (%)		27.8	29.8	32.7	41.3	47.0
EBITDA Margin (%)		6.6	9.1	14.9	18.5	18.0
Normalised Operating Margin		5.1	7.6	14.2	18.1	17.7
BALANCE SHEET						
Fixed Assets		52.8	52.9	55.2	57.0	57.7
Intangible Assets		0.9	0.7	0.8	0.8	0.6
Tangible Assets		1.3	0.7	2.2	3.2	3.9
Goodwill & other		50.6	51.5	52.3	53.0	53.2
Current Assets		12.9	15.2	21.7	31.8	46.7
Receivables		6.5	8.2	9.1	12.7	13.4
Cash & cash equivalents		1.3	0.7	4.9	9.0	17.5
Other		5.1	6.3	7.7	10.1	15.8
Current Liabilities		(8.0)	(8.7)	(12.9)	(14.0)	(14.6)
Creditors		(2.3)	(2.0)	(2.0)	(2.8)	(3.5)
Tax		(1.2)	(1.1)	(3.2)	(3.5)	(3.5)
Borrowings		(8.1)	0.0	0.0	0.0	0.0
Provisions		(0.0)	0.0	(0.4)	(0.4)	(0.4)
Other		(4.6)	(5.6)	(7.3)	(7.3)	(7.3)
Long Term Liabilities		(1.8)	(12.7)	(8.5)	(10.3)	(10.1)
Long term borrowings		0.0	(9.9)	(3.8)	(5.9)	(5.6)
Other long term liabilities		(1.8)	(2.8)	(4.7)	(4.5)	(4.5)
Net Assets		55.9	46.7	55.6	64.5	79.6
Minority interests		0.8	2.0	4.8	1.2	1.7
Shareholders' equity		56.7	48.7	60.5	65.7	81.3
CASH FLOW						
Op Cash Flow before WC and tax		4.2	4.8	15.1	27.1	33.7
Working capital		3.2	(1.9)	1.6	(2.8)	0.0
Exceptional & other		(0.7)	0.9	0.9	(0.2)	(3.8)
Tax		(2.9)	(1.3)	(2.8)	(8.9)	(10.9)
Net operating cash flow		3.8	2.5	14.8	15.2	19.0
Capex		(0.6)	(0.4)	(0.7)	(0.8)	(0.8)
Acquisitions/disposals		(0.5)	(3.4)	0.0	(6.0)	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	0.0	(2.1)	(7.1)	(8.9)
Other		(4.0)	(1.6)	(1.5)	(0.1)	(0.5)
Net Cash Flow		(1.2)	(2.9)	10.5	1.2	8.8
Opening net debt/(cash)		5.5	6.8	9.2	(1.1)	(2.4)
FX		(0.0)	0.0	(0.0)	0.0	0.0
Other non-cash movements		0.0	0.4	(0.1)	0.1	0.0
Closing net debt/(cash)		6.8	9.2	(1.1)	(2.4)	(11.9)

Source: Company accounts, Edison Investment Research

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