

CLIQ Digital

Making CLIQ a household name

H122 results

CLIQ Digital's H122 results were strong across all KPIs, illustrating that the group is on track to reach management's FY22 guidance, which saw significant uplifts at its strategy update in June. Our revenue and profit forecasts remain materially unchanged. However, we have updated our balance sheet expectations to reflect CLIQ's committed investment in its new package offering, CLIQ.de. The new upscaled multi-content platform is designed to be simple but affordable, encouraging widespread adoption with the aim of making CLIQ a 'household name' in Germany.

Year end	Revenue (€m)	PBT* (€m)	EPS* (€)	DPS (€)	P/E (x)	Yield (%)
12/20	107.0	14.4	1.2	0.5	26.4	1.6
12/21	150.0	25.3	2.6	1.1	12.2	3.5
12/22e	250.0	35.3	3.6	1.5	8.8	4.7
12/23e	300.0	45.0	4.6	1.9	6.9	6.0

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

Strong sales coupled with stable margins

CLIQ's H122 revenues were up by 85% y-o-y to €116.8m, with growth accelerating in Q2 at 94% y-o-y to €64.2m. Marketing spend, which was up 149% to €29.6m, and its shift to direct media buying continue to drive sales growth and operational KPIs. The number of paid memberships was up 0.2m to 1.7m at period-end and the lifetime value of its customer base grew to €121m (Q122: €104m), benefiting from investments in its multi-content offering. Despite elevated investment in its platform, EBITDA increased by 58% y-o-y to €18.4m with the margin remaining consistent q-o-q at 16%. Management is guiding for revenue to increase to over €250m in FY22, up more than 67% y-o-y, and an EBITDA margin of at least 15%, with its planned marketing spend of over €90m for the year (over 66% y-o-y) providing good visibility. This is in line with our forecasts.

Bucking the trend

While other content platforms have been raising their prices, CLIQ announced that it would be launching an enhanced version of its multi-content portal, CLIQ.de, in September 2022 at an introductory price of €6.99/month. The attractive pricing alongside focused marketing spend should continue to drive an increase in sales and customer stickiness (we provide further analysis [here](#)). The significant investment required for CLIQ.de, 114% y-o-y increase in dividends paid and large working capital movements, have led us to move the company from a net cash position of €12m to a net debt position of €5.7m at year end. However, continued revenue and profit growth, as well as lower working capital requirements, should allow CLIQ to return to a net cash position in FY23.

Valuation: Discount persisting

CLIQ's share price is up 28% year to date, while peers are down %. Despite this strong performance, the company's shares continue to trade at an average 67% discount across EV/Sales, EV/EBITDA and P/E for FY22e and FY23e.

Software and comp services

5 August 2022

Price €31.7

Market cap €206m

Net debt (€m) at 30 June 2022 5.8

Shares in issue 6.5m

Free float 89%

Code CLIQ

Primary exchange XETRA

Secondary exchange FRA

Share price performance



%	1m	3m	12m
Abs	13.7	15.0	26.5
Rel (local)	6.3	17.6	45.3
52-week high/low	€32.30	€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 H122, 38% of sales were generated in Europe, 57% in North America and 5% in other regions.

Next events

Q322 results 3 November 2022

Analysts

Max Hayes +44 (0)20 3077 5700

Fiona Orford-Williams +44 (0)20 3077 5739

media@edisongroup.com

[Edison profile page](#)

CLIQ Digital CLIQ Digital is a
research client of Edison
Investment Research Limited

Investing in new strategic direction

In Exhibit 1 we summarise the strong progress CLIQ has made in H122, both on a year-on-year and quarter-on-quarter basis. Its shift to direct media buying and elevated marketing spend continues to drive rapid growth in the membership base in North America and Europe, with more members now choosing to pay for its multi-content offering.

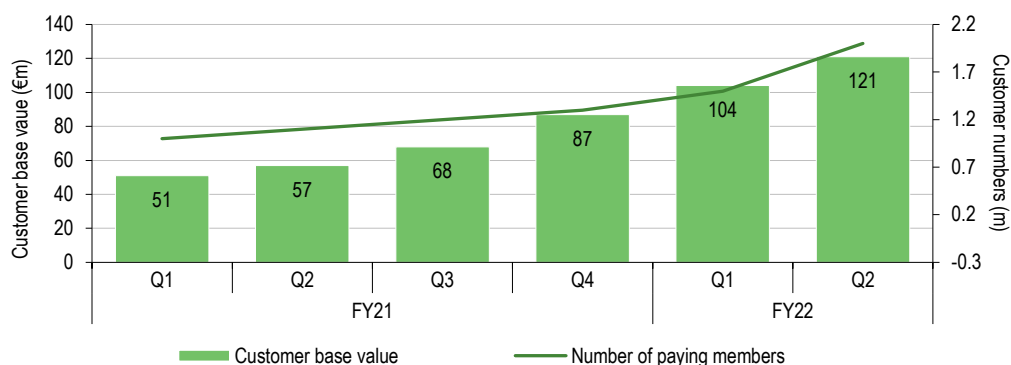
Exhibit 1: H122 results summary

€m	Q222	Q122	q-o-q change (%)	Q221	y-o-y change (%)	H122	H121	y-o-y change (%)
Revenue	64.2	52.6	22%	30.1	113%	116.8	63.2	85%
Europe	23.4	21.2	10%	14.1	66%	44.6	26.5	68%
North America	38.0	28.3	34%	16.0	138%	66.3	30.9	114%
RoW	2.8	3.1	(10%)	3.1	(10%)	5.9	5.8	2%
Marketing spend	29.6	22.5	31%	9.1	224%	52.1	21.0	148%
EBITDA	10.1	8.3	22%	6.3	90%	18.4	11.6	58%
EBITDA margin	16%	16%	0%	18%	(2%)	16%	18%	(2%)
EBIT	9.7	8.0	22%	6.0	92%	17.7	11.1	59%
Profit after tax	7.0	5.8	20%	4.1	101%	12.8	7.6	69%
Diluted EPS (€)	1.1	0.9	19%	0.6	102%	2.0	1.1	76%
Net debt/(cash)	5.8	(2.5)	N/A	1.7	241%	5.8	1.7	241%

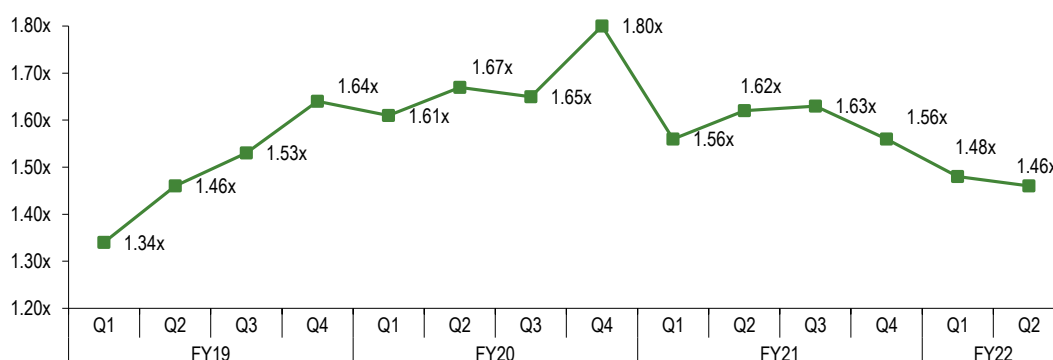
Source: CLIQ Digital

As well as continuing to elevate marketing spend, management has invested significantly in enriching the platform's content across Europe and North America. So far this year, the company has integrated new movies and series from several partners, as well as new sports content from its new partnership with Sportdigital. We believe adding a diverse range of content has been key to broadening its customer base, reflected in its 16% q-o-q increase in customer base value to €121m and rise in paid members in H1 (Exhibit 2).

While investment has been key to expanding its customer base, it has put pressure on profitability which is evident from the decline in CLIQ's profitability index (six month expected revenue per customer over cost of acquiring them). At the half year, the company remains above its minimum level of 1.4x but management has stated that it will prioritise elevating the lifetime value of a member over profitability in the short term. In Q221, the company saw a notable €1.14 q-o-q increase in the lifetime value of a member from €71.27 to €72.41. Given the backdrop of both rising pressures on household disposable incomes and prices from other content providers, we believe this is an opportune time for CLIQ to focus on growing its customer base. Despite CLIQ.de's lower pricing than the typical monthly average, management believes there is no risk of cannibalising its existing customer base. The CLIQ.de portal will be the first time CLIQ has used its own branding for its content, and therefore existing customers will see the portal as a completely different product to what they already pay for.

Exhibit 2: Marketing spend continuing to drive value in its customer base


Source: CLIQ Digital

Exhibit 3: Investment's impact on CLIQ's profitability index


Source: CLIQ Digital

Recent announcements indicate that management remains focused on growing its presence in the North American and European markets, where we believe there is still significant scope for growth. The market potential is supported by how CLIQ's FY21 revenue of €150m made up less than 0.1% of the combined FY21 revenues for the US and European digital media markets of US\$168bn (Statista).

Refinanced credit facility to support growth

As previously stated, the investment required for its CLIQ.de offering, a 114% y-o-y increase in dividends paid in Q2 of €7.2m and a €13.5m negative movement in working capital at the half year resulted in a large cash outflow for the period and a move to a net debt position of €5.8m (31 December 2021: net cash of €2.3m). On 25 July management secured liquidity with an increase in its existing credit facilities by €24m to €37.5m (option to extend to €57.5m).

The new financing facility consists of an overdraft, borrowing base and an acquisition facility. The financing costs are lower than its previous agreement at an interest rate of 3m-Euribor plus margin, varying from 2.00–2.15% for the borrowing base and 2.65–2.90% for the overdraft facility.

We believe the additional financing should support the group's ambition to reach FY25 revenues of €500m (four-year CAGR of 35% based on FY21 actuals).

Exhibit 4: Financial summary

	€m	2020	2021	2022e	2023e
Year-end 31-December		IFRS	IFRS	IFRS	IFRS
INCOME STATEMENT					
Revenue		107.0	150.0	250.0	300.0
Cost of Sales		(72.0)	(98.8)	(172.7)	(203.2)
Gross Profit		34.9	51.2	77.3	96.8
EBITDA		15.9	27.2	38.0	47.6
Operating profit (before amort. and excepts.)		15.2	26.3	36.1	45.6
Reported operating profit		15.2	26.3	36.1	45.6
Net Interest		(0.8)	(0.9)	(0.7)	(0.6)
Profit Before Tax (norm)		14.4	25.3	35.3	45.0
Profit Before Tax (reported)		14.4	25.3	35.3	45.0
Reported tax		(4.0)	(7.1)	(11.0)	(14.0)
Profit After Tax (norm)		10.4	17.4	24.3	31.0
Profit After Tax (reported)		10.4	18.2	24.3	31.0
Minority interests		3.3	0.4	0.6	0.7
Net income (normalised)		7.2	17.0	23.8	30.3
Net income (reported)		7.2	17.8	23.8	30.3
Average Number of Shares Outstanding (m)		6.2	6.5	6.5	6.5
EPS - basic (€)		1.16	2.62	3.65	4.66
EPS - normalised fully diluted (€)		1.16	2.59	3.60	4.59
Dividend (€)		0.46	1.10	1.46	1.86
Revenue growth (%)		69.4	40.2	66.7	20.0
Gross Margin (%)		32.7	34.1	30.9	32.3
EBITDA Margin (%)		14.9	18.1	15.2	15.9
Normalised Operating Margin		14.2	17.5	14.4	15.2
BALANCE SHEET					
Fixed Assets		55.2	59.4	62.7	67.2
Intangible Assets		0.8	2.6	5.8	9.4
Tangible Assets		2.2	3.8	5.1	5.9
Goodwill & other		52.3	53.0	51.7	51.9
Current Assets		21.7	36.9	86.8	104.3
Receivables		9.1	12.5	34.2	41.1
Cash & cash equivalents		4.9	7.3	31.7	37.8
Other		7.7	17.1	20.8	25.4
Current Liabilities		(12.9)	(27.3)	(27.1)	(29.3)
Creditors		(2.0)	(7.9)	(13.2)	(15.4)
Tax		(3.2)	(1.2)	(1.2)	(1.2)
Borrowings		0.0	(5.0)	0.0	0.0
Provisions		(0.4)	(0.4)	(0.4)	(0.4)
Other		(7.3)	(12.8)	(12.4)	(12.4)
Long Term Liabilities		(8.5)	(9.4)	(46.6)	(46.3)
Long term borrowings		(3.8)	0.0	(37.3)	(37.1)
Other long-term liabilities		(4.7)	(9.4)	(9.3)	(9.2)
Net Assets		55.6	59.6	75.7	95.8
Minority interests		4.8	0.0	0.6	1.3
Shareholders' equity		50.8	59.5	75.1	94.6
CASH FLOW					
Operating Cash Flow		15.1	26.8	37.3	47.0
Working capital		1.6	(1.2)	(16.4)	(4.6)
Exceptional & other		0.9	1.3	(1.9)	(2.7)
Tax		(2.8)	(6.1)	(12.0)	(14.8)
Operating cash flow		14.8	20.8	6.9	24.8
Capex		(0.7)	(3.3)	(5.3)	(5.8)
Acquisitions/disposals		0.0	(10.3)	0.0	0.0
Net interest		0.0	0.0	0.0	0.0
Equity financing		0.0	0.0	0.0	0.0
Dividends		(2.1)	(3.3)	(9.5)	(12.1)
Other		(1.5)	(2.5)	(0.2)	(0.6)
Net Cash Flow		10.5	1.4	(8.1)	6.3
Opening net debt/(cash)		9.6	(0.9)	(2.3)	5.8
FX		(0.0)	0.0	0.0	0.0
Other non-cash movements		0.0	0.0	0.0	0.0
Closing net debt/(cash)		(0.9)	(2.3)	5.8	(0.5)

Source: Company accounts, Edison Investment Research

General disclaimer and copyright

This report has been commissioned by CLIQ Digital and prepared and issued by Edison, in consideration of a fee payable by CLIQ Digital. Edison Investment Research standard fees are £60,000 pa for the production and broad dissemination of a detailed note (Outlook) following by regular (typically quarterly) update notes. Fees are paid upfront in cash without recourse. Edison may seek additional fees for the provision of roadshows and related IR services for the client but does not get remunerated for any investment banking services. We never take payment in stock, options or warrants for any of our services.

Accuracy of content: All information used in the publication of this report has been compiled from publicly available sources that are believed to be reliable, however we do not guarantee the accuracy or completeness of this report and have not sought for this information to be independently verified. Opinions contained in this report represent those of the research department of Edison at the time of publication. Forward-looking information or statements in this report contain information that is based on assumptions, forecasts of future results, estimates of amounts not yet determinable, and therefore involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of their subject matter to be materially different from current expectations.

Exclusion of Liability: To the fullest extent allowed by law, Edison shall not be liable for any direct, indirect or consequential losses, loss of profits, damages, costs or expenses incurred or suffered by you arising out of or in connection with the access to, use of or reliance on any information contained on this note.

No personalised advice: The information that we provide should not be construed in any manner whatsoever as, personalised advice. Also, the information provided by us should not be construed by any subscriber or prospective subscriber as Edison's solicitation to effect, or attempt to effect, any transaction in a security. The securities described in the report may not be eligible for sale in all jurisdictions or to certain categories of investors.

Investment in securities mentioned: Edison has a restrictive policy relating to personal dealing and conflicts of interest. Edison Group does not conduct any investment business and, accordingly, does not itself hold any positions in the securities mentioned in this report. However, the respective directors, officers, employees and contractors of Edison may have a position in any or related securities mentioned in this report, subject to Edison's policies on personal dealing and conflicts of interest.

Copyright: Copyright 2022 Edison Investment Research Limited (Edison).

Australia

Edison Investment Research Pty Ltd (Edison AU) is the Australian subsidiary of Edison. Edison AU is a Corporate Authorised Representative (1252501) of Crown Wealth Group Pty Ltd who holds an Australian Financial Services Licence (Number: 494274). This research is issued in Australia by Edison AU and any access to it, is intended only for "wholesale clients" within the meaning of the Corporations Act 2001 of Australia. Any advice given by Edison AU is general advice only and does not take into account your personal circumstances, needs or objectives. You should, before acting on this advice, consider the appropriateness of the advice, having regard to your objectives, financial situation and needs. If our advice relates to the acquisition, or possible acquisition, of a particular financial product you should read any relevant Product Disclosure Statement or like instrument.

New Zealand

The research in this document is intended for New Zealand resident professional financial advisers or brokers (for use in their roles as financial advisers or brokers) and habitual investors who are "wholesale clients" for the purpose of the Financial Advisers Act 2008 (FAA) (as described in sections 5(c) (1)(a), (b) and (c) of the FAA). This is not a solicitation or inducement to buy, sell, subscribe, or underwrite any securities mentioned or in the topic of this document. For the purpose of the FAA, the content of this report is of a general nature, is intended as a source of general information only and is not intended to constitute a recommendation or opinion in relation to acquiring or disposing (including refraining from acquiring or disposing) of securities. The distribution of this document is not a "personalised service" and, to the extent that it contains any financial advice, is intended only as a "class service" provided by Edison within the meaning of the FAA (i.e. without taking into account the particular financial situation or goals of any person). As such, it should not be relied upon in making an investment decision.

United Kingdom

This document is prepared and provided by Edison for information purposes only and should not be construed as an offer or solicitation for investment in any securities mentioned or in the topic of this document. A marketing communication under FCA Rules, this document has not been prepared in accordance with the legal requirements designed to promote the independence of investment research and is not subject to any prohibition on dealing ahead of the dissemination of investment research.

This Communication is being distributed in the United Kingdom and is directed only at (i) persons having professional experience in matters relating to investments, i.e. investment professionals within the meaning of Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "FPO") (ii) high net-worth companies, unincorporated associations or other bodies within the meaning of Article 49 of the FPO and (iii) persons to whom it is otherwise lawful to distribute it. The investment or investment activity to which this document relates is available only to such persons. It is not intended that this document be distributed or passed on, directly or indirectly, to any other class of persons and in any event and under no circumstances should persons of any other description rely on or act upon the contents of this document.

This Communication is being supplied to you solely for your information and may not be reproduced by, further distributed to or published in whole or in part by, any other person.

United States

Edison relies upon the "publishers' exclusion" from the definition of investment adviser under Section 202(a)(11) of the Investment Advisers Act of 1940 and corresponding state securities laws. This report is a bona fide publication of general and regular circulation offering impersonal investment-related advice, not tailored to a specific investment portfolio or the needs of current and/or prospective subscribers. As such, Edison does not offer or provide personal advice and the research provided is for informational purposes only. No mention of a particular security in this report constitutes a recommendation to buy, sell or hold that or any security, or that any particular security, portfolio of securities, transaction or investment strategy is suitable for any specific person.

Frankfurt +49 (0)69 78 8076 960
Schumannstrasse 34b
60325 Frankfurt
Germany

London +44 (0)20 3077 5700
280 High Holborn
London, WC1V 7EE
United Kingdom

New York +1 646 653 7026
1185 Avenue of the Americas
3rd Floor, New York, NY 10036
United States of America

Sydney +61 (0)2 8249 8342
Level 4, Office 1205
95 Pitt Street, Sydney
NSW 2000, Australia