

CLIQ Digital

Momentum continuing unabated

Q122 trading update

Media

CLIQ Digital (CLIQ) has had a positive start to the year, with Q122 results providing an early indication that it is on track to meet its guidance for strong growth and increased profitability in FY22. Its shift to direct media buying 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. This reflects the success to date of investments in marketing and new content. As expected and guided, the additional spend will depress EBITDA margin in the current year, but we would expect it to start to rebuild in FY23.

Year end	Revenue (€m)	PBT* (€m)	Adjusted EPS* (€)	DPS (€)	P/E (x)	Yield (%)
12/20	107.0	14.4	1.2	0.5	20.6	2.0
12/21	150.0	25.3	2.6	1.1	9.5	4.4
12/22e	210.4	32.0	3.3	1.3	7.5	5.3
12/23e	290.2	47.1	4.8	2.0	5.2	8.0

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

Investments driving growth

Revenue in Q122 increased by 75% to €52.6m (Q122: €30.1m), with the group reporting growth in all regions (North America: +89%, Europe: +71%, RoW: +16%). Marketing spend, its main revenue driver, was up 147% y-o-y to €22.5m, benefiting also from management's fundamental shift from media buying from affiliate partners to an in-house media buying team. Management reiterated its short- and mid-term guidance, indicating revenue growth of at least 40% to c €210m in FY22 and a 35% CAGR to €500m by end-FY25. On an annual run-rate, CLIQ's FY22 revenue would be €210m, so management guidance, and our forecasts, look readily achievable given that the company expects to deliver another three quarters of growth.

Robust cash position despite investments

The membership base rose 13% q-o-q to 1.5m users, reflecting the successful marketing campaigns and content investment. The company recently licensed new content from [Palatin Media](#) and [LEONINE Studios](#), adding over 600 hours of entertainment across genres. 82% of members now opt for its higher-value multi-content offering, rather than single-content (Q121: 66%). As expected ([FY21 trading update](#)), marketing and content investment depressed margins - EBITDA margin was 15.8% (Q121: 17.6%) - and resulted in lower operating free cash flow, down €4.9m y-o-y to €0.2m. However, CLIQ's balance sheet remains robust with net cash of €2.5m. The financing facility's maturity date has been extended to end-July 2022 and Commerzbank has signed a mandate to arrange a new 3-to-5-year facility, giving further firepower for investment in marketing, content and platforms.

Valuation: Still significant upside potential

CLIQ's share price is roughly the same as at the start of the year, while its peers are down 32%. Across FY22e and FY23e, it still trades at a discount to peers across average EV/sales, EV/EBITDA and P/E multiples. Parity across these ratios would equate to an implied share price of €65.4.

6 May 2022

Price €24.75

Market cap €159m

Net cash (€m) at 31 March 2022 2.5

Shares in issue 6.5m

Free float 89%

Code CLIQ

Primary exchange XETRA

Secondary exchange FRA

Share price performance



% 1m 3m 12m

Abs (5.3) 8.6 (23.5)

Rel (local) (1.7) 17.9 (16.5)

52-week high/low €36.35 €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

Strategic update 15 June 2022

Q222 results 2 August 2022

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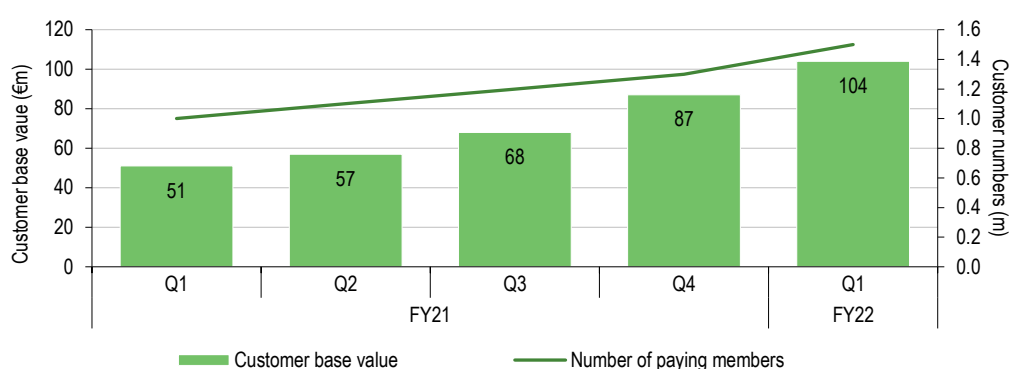
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Investments leading to improvements in customer base

As highlighted previously, investments in marketing and content across all genres were key to expanding its customer base at the quarter end to 1.5 million, up 13% q-o-q and 50% y-o-y. These investments also drove an increase in the average length of a subscription, as well as the expected lifetime value for multi- and single-content offerings, which rose from €69.81 to €71.27 q-o-q. As a result, growth in its customer base value (number of members multiplied by expected individual lifetime value) accelerated to €104m, as illustrated in Exhibit 1. Customer base value represents the total revenue that is expected to be generated by existing members, and so provides good visibility for the rest of the year.

Exhibit 1: Customer base value and number of paid memberships



Source: CLIQ Digital

Starting to leverage the CLIQ brand

To date, the marketing effort for customer recruitment has been focused on performance marketing via clips and teasers to draw people in from their particular interest categories, then sell across the wider package. With the growth of the multi-content portals, the use of an umbrella brand (a single brand name for multiple white-label products) is an additional marketing tool that CLIQ has not used extensively previously. The upcoming strategy day on 15 June 2022 will give management the opportunity to showcase its multi-content portal and provide insight into its proposed brand marketing campaign, which should increase CLIQ's profile both with its target subscriber base and with the financial community.

Exhibit 2: Financial summary

	€m	2019	2020	2021	2022e	2023e
Year end 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	6.5	6.5	7
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	57.3	59.1
Receivables		8.2	9.1	12.5	17.3	17.6
Cash & cash equivalents		0.7	4.9	7.3	19.7	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)	(20.7)	(11.1)
Long term borrowings		(9.9)	(3.8)	0.0	(11.4)	(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: Edison Investment Research, CLIQ Digital

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