

CLIQ Digital

Q123 results

Bundled content driving sales and profit growth

CLIQ Digital had a very strong start to FY23, with a 58% y-o-y revenue uplift in Q123 (to €83m) and an EBITDA margin of 15.4% (Q122: 15.8%). Raised levels of marketing spend continue to drive momentum, generating growth in both the lifetime value of the customer base (LTVCB) and in the number of paid members. CLIQ is inherently highly cash generative and net cash was €10.9m at the quarter-end. Management has reiterated both FY23 and mid-term 2025 sales guidance, and our forecasts are unchanged, underpinned by the strong Q123 performance. CLIQ's valuation remains at a significant discount to peers on EV/sales and EV/EBITDA multiples, with substantial potential upside to the current share price on current estimates, in our view.

Year end	Revenue (€m)	EBITDA* (€m)	EPS* (€)	DPS (€)	P/E (x)	Yield (%)
12/21	150.0	27.2	2.71	1.10	9.8	4.1
12/22	276.1	43.5	4.45	1.79	6.0	6.7
12/23e	345.0	51.0	4.99	2.02	5.3	7.6
12/24e	400.2	59.4	5.84	2.37	4.6	8.9

Note: *EBITDA and EPS (fully diluted) are normalised, excluding amortisation of acquired intangibles, exceptional items and share-based payments.

Robust growth with strong cash generation

We are encouraged by the continued progress made in both North America and Europe, which each delivered revenue +57%, as well as in Latin America, which delivered €3m of revenue, having launched in Q422. The shift to bundled content (93% of revenue from 82% in Q122) should create a stickier subscriber base with more sustainable long-term growth potential, provided content benefits from continued investment to keep it fresh and attractive. Management has reiterated guidance, continuing to expect revenue of €345m and EBITDA of at least €50m in FY23. We believe that a backdrop of constrained household budgets should be broadly positive for CLIQ.

Operational improvements in Q123

CLIQ has continued to develop and upgrade its bundled content offering, including the licensing of over 50 Hollywood films and ATP World Tour events in the DACH region. In Q123 CLIQ also launched the advertising campaign for its relatively new, low-cost bundled-content subscription service cliq.de, which included both TV and out of home adverts. In April 2023 CLIQ terminated its previous loan facility and has entered into a new smaller overdraft facility with HSBC, providing up to €15m with better conditions.

Valuation: Significant potential upside

CLIQ's share price has gained c 3% in the year to date, against the peer median gain of 2%. Peer multiples have, however, dipped over this period, reflecting some amelioration in consensus estimates. CLIQ continues to trade at a significant discount to peers across median FY23 and FY24 EV/sales and EV/EBITDA multiples. Parity to the median EV/sales multiple would equate to an implied share price of €58, reflecting significant potential upside, in our view.

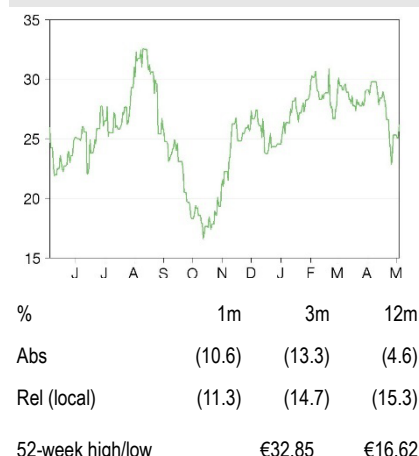
Media

5 May 2023

Price €26.65
Market cap €173m

Net cash (€m) at 31 March 2023	10.9
Shares in issue	6.5m
Free float	89%
Code	CLIQ
Primary exchange	XTRA
Secondary exchange	FRA

Share price performance



Business description

CLIQ Digital sells subscription-based streaming services that bundle movies and series, music, audiobooks, sports and games to consumers globally. In Q123, 40% of sales were generated in Europe, 53% in North America and 7% in other regions.

Next events

H123 results 3 August 2023

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Exhibit 1: Financial summary

	€m	2020	2021	2022	2023e	2024e
Year end 31 December		IFRS	IFRS	IFRS	IFRS	IFRS
INCOME STATEMENT						
Revenue		107.0	150.0	276.1	345.0	400.2
Cost of Sales		(72.0)	(98.8)	(201.3)	(256.1)	(297.1)
Gross Profit		34.9	51.2	74.8	88.9	103.1
EBITDA		15.9	27.2	43.5	51.0	59.4
Operating profit (before amort. and excepts.)		15.2	26.3	42.1	49.7	58.1
Reported operating profit		15.2	26.3	42.1	49.7	58.1
Net Interest		(0.8)	(0.9)	(1.2)	(0.8)	(0.8)
Profit Before Tax (norm)		14.4	25.3	40.9	48.9	57.3
Profit Before Tax (reported)		14.4	25.3	40.9	48.9	57.3
Reported tax		(4.0)	(7.1)	(11.9)	(15.3)	(17.9)
Profit After Tax (norm)		10.4	18.2	29.0	33.6	39.4
Profit After Tax (reported)		10.4	18.2	29.0	33.6	39.4
Minority interests		3.3	0.4	(0.1)	0.7	0.9
Net income (normalised)		7.2	17.8	29.1	32.9	38.5
Net income (reported)		7.2	17.8	29.0	32.9	38.5
Average Number of Shares Outstanding (m)		6.2	6.5	6.5	6.5	6.5
EPS - normalised (€)		1.16	2.74	4.47	5.06	5.92
EPS - normalised fully diluted (€)		1.16	2.71	4.45	4.99	5.84
Dividend (€)		0.46	1.10	1.79	2.02	2.37
Revenue growth (%)		69.4	40.2	84.1	25.0	16.0
Gross Margin (%)		32.7	34.1	27.1	25.8	25.8
EBITDA Margin (%)		14.9	18.1	15.8	14.8	14.8
Normalised Operating Margin		14.2	17.5	15.2	14.4	14.5
BALANCE SHEET						
Fixed Assets		55.2	59.4	65.1	74.2	83.2
Intangible Assets		0.8	2.6	8.4	15.7	23.8
Tangible Assets		2.2	3.8	5.0	6.5	7.3
Goodwill & other		52.3	53.0	51.7	51.9	52.1
Current Assets		21.7	36.9	70.0	94.2	122.3
Receivables		9.1	12.5	13.6	18.9	27.4
Cash & cash equivalents		4.9	7.3	16.8	26.9	36.4
Other		7.7	17.1	39.6	48.4	58.6
Current Liabilities		(12.9)	(27.3)	(31.2)	(36.1)	(40.9)
Creditors		(2.0)	(7.9)	(9.5)	(14.0)	(18.0)
Tax		(3.2)	(1.2)	(2.6)	(3.9)	(5.0)
Borrowings		0.0	(5.0)	0.0	0.0	0.0
Provisions		(0.4)	(0.4)	(0.4)	(0.4)	(0.4)
Other		(7.3)	(12.8)	(18.7)	(17.9)	(17.5)
Long Term Liabilities		(8.5)	(9.4)	(22.6)	(25.3)	(29.2)
Long term borrowings		(3.8)	0.0	(6.6)	(6.4)	(6.2)
Other long term liabilities		(4.7)	(9.4)	(16.0)	(19.0)	(23.0)
Net Assets		55.6	59.6	81.3	106.9	135.5
Minority interests		4.8	0.0	(0.1)	0.7	1.5
Shareholders equity		50.8	59.5	81.4	106.3	133.9
CASH FLOW						
Operating Cash Flow		15.1	26.8	44.9	50.2	58.6
Working capital		1.6	(1.2)	(18.1)	(0.8)	(4.5)
Exceptional & other		0.9	1.3	1.6	2.8	2.8
Tax		(2.8)	(6.1)	(3.4)	(16.1)	(18.7)
Operating cash flow		14.8	20.8	25.0	36.2	38.2
Capex		(0.7)	(3.3)	(9.6)	(11.1)	(12.2)
Acquisitions/disposals		0.0	(10.3)	1.5	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		(2.1)	(3.3)	(7.2)	(13.2)	(15.4)
Other		(1.5)	(2.5)	(1.0)	(1.4)	(0.9)
Net Cash Flow		10.5	1.4	8.9	10.4	9.6
Opening net debt/(cash)		9.6	(0.9)	(2.3)	(9.9)	(20.3)
FX		(0.0)	0.0	(0.1)	0.0	0.0
Other non-cash movements		0.0	0.0	0.0	0.0	0.0
Closing net debt/(cash)*		(0.9)	(2.3)	(9.9)	(20.3)	(30.0)

Source: Company accounts, Edison Investment Research

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