

24 August 2020

CLIQ Digital AG

Rating	Buy (Buy)
Share price (EUR)	11.20
Target price (EUR)	21.00 (16.00)
Bloomberg Sector	CLIQ GY Software

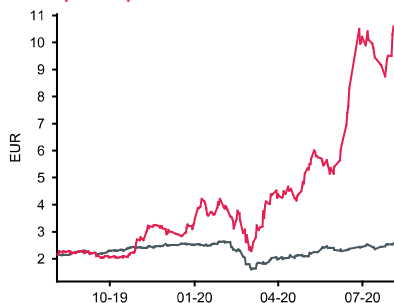
Share data

Shares out (m)	6.2
Daily volume shs (m)	0.3
Free float (%)	71.94
Market cap (EUR m)	61
EV (EUR m)	66
DPS (EUR)	0.28
Dividend yield (%)	9.7
Payout ratio (%)	40.0

Performance

ytd (%)	227.6
12 months (%)	341.9
12 months rel. (%)	318.7
Index	SDAX

Share price performance



— CLIQ Digital
— Price rel. to SDAX - Price Index

Source: Bloomberg

Next triggers

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Analysts

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H1-20: Full of Highlights

CLIQ was able to significantly improve all major KPIs in the first six months 2020. For example the EBIT more than quadrupled yoy which underlines the scalability of its business model. The company confirmed its FY 2020 guidance. Due to a successful H1-20 and a positive start in Q3 its outlook is conservative. We therefore increase our estimates and raise the TP to EUR 21.00 (EUR 16.00). Our recommendation remains Buy.

Strong performance in the first half of 2020

In H1-20 gross revenues further increased to EUR 47.2m (+67% yoy), marketing spend amounted to EUR 16.3m (+66%) and EBITDA climbed to EUR 6.3m (+246%) compared to the same period last year. The EBITDA margin improved from 9% during H1-19 to 13% in the first half of the current business year. EBIT more than quadrupled to EUR 6.0m (+332%). The CLIQ-factor, a key indicator for measuring the profitability of new members, improved from 1.40 in H1-19 to 1.64 in same period in FY 2020. The customer value base, representing the total net revenues that is expected to be generated by the existing members, increased significantly to EUR 31.0m by the end of 30 June 2020 (30 Jun 2019: EUR 24.5m). These improvements are mainly the result of CLIQ's successful implementation of the direct media buy strategy and smart investments in licensed content.

Furthermore, its operational cash flow strongly improved to EUR 5.7m from EUR -0.1m (H1-19). This resulted in a net debt position of EUR 5.3m compared to EUR 9.6m at the end of FY 2019. Its annualized net debt/EBITDA ratio for FY 2020 therefore lies at comfortable ~0.5.

FY 2020 guidance confirmed

Due to the strong performance in H1-20, as well as the positive start in the third quarter, CLIQ reconfirmed its increased outlook for FY 2020: The company expects gross revenues of approximately EUR 90m (growth rate of more than 40% compared to FY 2019) and EBITDA of at least EUR 10m (growth rate of approx. 75%). Furthermore a marketing spend of approximately EUR 30m (growth rate of approx. 35% compared) is expected.

In our view CLIQ is well on track to reach its FY 2020 targets: Besides a strong US business its "CLIQ – All in One" streaming platform is to be launched in the third quarter and further countries will follow. We therefore confirm our Buy recommendation and based on new estimates we raise our TP to EUR 21.00 (EUR 16.00).

Key figures		2018	2019	2020e	2021e	2022e
Sales	EUR m	58	63	95	105	114
EBITDA	EUR m	4	6	11	13	14
EBIT	EUR m	3	5	10	12	13
EPS	EUR	0.35	0.36	0.81	0.97	1.13
Sales growth	%	-17.5	8.5	50.9	10.6	8.6
EBIT growth	%	-42.3	59.9	117.3	14.0	11.8
EPS growth	%	-34.4	2.6	126.2	20.3	16.0
EBITDA margin	%	6.6	9.1	11.9	12.2	12.4
EBIT margin	%	5.1	7.6	10.9	11.2	11.5
Net margin	%	3.7	3.5	5.3	5.7	6.1
EV/Sales	ratio	1.31	1.24	0.77	0.66	0.57
EV/EBITDA	ratio	19.7	13.7	6.5	5.4	4.6
EV/EBIT	ratio	25.5	16.5	7.1	5.9	4.9
P/E	ratio	4.9	8.1	13.9	11.5	9.9
P/BV	ratio	0.2	0.4	1.4	1.3	1.2
Dividend yield	%	0.0	9.7	2.9	3.5	4.0

Source: Bloomberg, Company data, Quirin Privatbank estimates

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Valuation

Peer group

In order to find a fair equity value for CLIQ we use a peer group approach. The peers are active in the field of online entertainment:

The following table shows that CLIQ in terms of multiples is significantly trading below its peers, for example its EV/EBIT multiple for FY 2021 is trading 68% below the peer group:

Peer group

Company	Ticker	P/E 20e	P/E 21e	EV/S 20e	EV/S 21e	P/B 20e	P/B 21e	EV/EBITDA 20e	EV/EBITDA 21e	EV/EBIT 20e	EV/EBIT 21e	EBIT margin 20e	EBIT margin 21e	SALES CAGR17-21e
CLIQ DIGITAL AG	CLIQ GY	13.7x	11.6x	0.73x	0.6x	1.2x	1.2x	6.6x	5.6x	7.3x	6.1x	10.0%	10.1%	9.5%
IMMOBILE PLC	IMO LN	26.5x	28.8x	2.23x	2.06x	4.5x	3.8x	16.2x	15.4x	22.0x	22.4x	9.2%	8.5%	22.9%
TREMOR INTERNATIONAL LTD	TRMR LN	n/a	4.0x	0.61x	0.4x	n/a	n/a	11.5x	1.9x	n/a	2.1x	-1.4%	0.0x	19.1%
FRONTIER DEVELOPMENTS PLC	FDEV LN	57.5x	48.9x	10.50x	8.96x	9.1x	8.0x	26.9x	22.5x	47.6x	41.8x	21.1%	18.0%	22.2%
SEGA SAMMY HOLDINGS INC	6460 JT	15.2x	184.0x	0.73x	0.89x	0.9x	1.0x	5.8x	11.7x	9.8x	n/a	7.4%	9.0%	-4.8%
NETDRAGON WEBSOFT HOLDINGS L	777 HK	10.3x	8.1x	1.43x	1.24x	1.7x	1.4x	4.4x	3.0x	7.9x	6.2x	14.6%	12.7%	19.0%
BANDAI NAMCO HOLDINGS INC	7832 JT	23.6x	28.2x	1.72x	1.82x	3.1x	3.0x	11.5x	12.8x	15.0x	15.5x	11.2%	11.8%	3.9%
NORDIC ENTERTAINMENT GROUP-B	NENTB SS	28.6x	20.3x	2.04x	1.89x	6.1x	5.1x	12.6x	16.5x	10.3x	19.1x	21.1%	19.6%	n/a
GLU MOBILE INC	GLUU US	24.2x	19.5x	2.26x	2.03x	3.6x	3.1x	24.6x	17.8x	81.6x	30.1x	3.3%	3.0%	20.2%
AVERAGE		26.6x	42.7x	2.69x	2.42x	4.1x	3.6x	14.2x	12.7x	27.7x	19.6x	10.8%	10.2%	14.6%
CLIQ DIGITAL AG VS. AVG.		-48%	-73%	-73%	-74%	-70%	-68%	-54%	-56%	-74%	-69%	-8%	-1%	-35%
MEDIAN		24.2x	24.3x	1.88x	1.85x	3.6x	3.1x	12.1x	14.1x	15.0x	19.1x	10.2%	10.4%	19.1%
CLIQ DIGITAL AG VS. MEDIAN		-43%	-52%	-61%	-67%	-66%	-63%	-46%	-60%	-51%	-68%	-2%	-3%	-50%
Std. dev.		14.0x	54.9x	3.01x	2.53x	2.6x	2.2x	7.5x	6.7x	25.4x	12.6x	7.5%	6.5%	9.9%
25th Percentile		19.4x	16.6x	1.26x	1.15x	2.4x	2.2x	10.1x	9.5x	10.0x	10.9x	6.4%	7.1%	11.4%
75th Percentile		27.5x	33.8x	2.24x	2.04x	5.3x	4.4x	18.3x	16.8x	34.8x	26.3x	16.3%	14.0%	21.2%
Min		10.3x	4.0x	0.61x	0.44x	0.9x	1.0x	4.4x	1.9x	7.9x	2.1x	-1.4%	-1.0%	-4.8%
Max		57.5x	184.0x	10.50x	8.96x	9.1x	8.0x	26.9x	22.5x	81.6x	41.8x	21.1%	19.6%	22.9%

Source: Quirin Privatbank estimates, Bloomberg

Based on our estimates for EBITDA, EBIT and EPS (FY 2020 to FY 2021) we derive a fair value of EUR 24.08 per CLIQ share:

in EURm	EBITDA		EBIT		EPS	
	2020e	2021e	2020e	2021e	2020e	2021e
CLIQ Digital QP Estimates	11.4	12.8	10.3	11.8	0.81	0.97
Median Peer Group Multiple	12.1	14.1	15.0	19.1	24.2	24.3
Enterprise Value	137.3	180.1	154.6	225.7	n/a	n/a
Net financial debt (Average 2020e & 2021e)	2.2					
Fair value of equity	135.1	177.9	152.4	223.5	121.3	145.6
Median	149.0					
Number of shares (m)	6.2					
Premium	0%					
Fair value per share	24.08					

Source: Quirin Privatbank estimates, Bloomberg

DCF valuation

Our updated DCF model indicates a fair value of EUR 23.12 for a CLIQ share and reflects the long-term perspectives of the company. Our assumptions are as follows:

Phase 1 (2020-22e):

We estimated the free cash flows (FCF) of phase 1 according to our detailed financial forecasts for this period stated in the financials section.

Phase 2 (2023-29e):

For Phase 2, we assumed an initial sales growth of 5% that fades out to 0.2% in 2028e. We assumed a constant EBIT margin of 11.5% (old: 10.0%).

Phase 3:

For the calculation of the terminal value, we applied a long-term FCF growth rate of 2.0% to reflect CLIQ's growth perspectives.

Based on these assumptions, we calculated a fair value of the CLIQ's operating business of EUR 152m. We deducted CLIQ's net debt (financial debt minus cash). The resulting fair value of equity is EUR 143m or EUR 23.12 per share.

CLIQ Digital: Discounted Cash Flow Model

EURm	PHASE 1			PHASE 2						PHASE 3	
	2020e	2021e	2022e	2023e	2024e	2025e	2026e	2027e	2028e	2029e	∞
Sales	95.2	105.4	114.5	120.2	123.8	126.0	127.4	128.2	128.7	129.0	
YoY growth	50.9%	10.6%	8.6%	5.0%	3.0%	1.8%	1.1%	0.6%	0.4%	0.2%	
EBIT	10.4	11.8	13.2	13.8	14.2	14.5	14.6	14.7	14.8	14.8	
EBIT margin	10.9%	11.2%	11.5%	11.5%	11.5%	11.5%	11.5%	11.5%	11.5%	11.5%	
Income tax on EBIT (cash tax rate)	-2.2	-2.6	-3.0	-4.1	-4.3	-4.3	-4.4	-4.4	-4.4	-4.5	
Depreciation and amortisation	1.0	1.0	1.0	0.6	0.6	0.6	0.6	0.6	0.6	0.6	
Change in long-term provisions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Other non-cash items	2.2	0.5	0.4	0.2	0.2	0.2	0.2	0.2	0.2	0.2	
Change in net working capital	-6.0	-1.9	-1.7	-1.4	-0.9	-0.6	-0.3	-0.2	-0.1	-0.1	
Net capital expenditure	-0.5	-0.5	-0.6	-0.7	-0.7	-0.8	-0.8	-0.8	-0.8	-0.6	
Free cash flow	4.9	8.2	9.4	8.4	9.2	9.7	10.0	10.2	10.3	10.5	
Present values	4.7	7.4	7.8	6.4	6.5	6.4	6.1	5.8	5.4	5.1	90.5
Present value Phase 1	19.9										
Present value Phase 2	41.8										
Present value Phase 3	90.5										
Total present value	152.3										
+ Excess cash/Non-operating asset	0.7										
- Financial debt	-9.9										
- Pension provisions	0.0										
Fair value of equity	143.1										
Number of shares (m)	6.2										
Fair value per share (EUR)	23.12										

Risk free rate	2.00%	Target equity ratio	40.0%
Equity risk premium	7.00%	Beta (fundamental)	1.8
Debt risk premium	2.75%	WACC	7.75%
Tax shield	30.0%	Terminal growth	2.0%

Sensitivity analysis						
		Terminal growth (Phase 3)				
		1.0%	1.5%	2.0%	2.5%	3.0%
WACC	6.8%	24.88	26.48	28.42	30.81	33.84
	7.3%	22.69	23.98	25.52	27.38	29.67
	7.8%	20.83	21.88	23.12	24.59	26.37
	8.3%	19.23	20.10	21.11	22.29	23.70
8.8%	17.83	18.55	19.39	20.36	21.49	

Source: Quirin Privatbank

Average of peer group and DCF

We decided to value CLIQ by peer group multiples and DCF model. The average would result in a fair value of EUR 23.60 per share. However, we decided for a 10% discount to reflect its high Goodwill position. As a result the fair value per share amounts to EUR 21.24:

Fair value calculation

Fair value per QLIQ share

based on peer group:	24.08
based on DCF:	23.12
Average	23.60
Discount 10%	-2.36
Fair value per share	21.24

Source: Quirin Privatbank

CLIQ's KPIs in H1-20

	H1-20	H1-19	change
Gross revenue (EURm)	47.2	28.2	67%
Net revenue (EURm)	35.3	19.6	80%
Marketing spend (EURm)	16.3	9.8	66%
EBITDA (EURm)	6.3	1.8	250%
EBIT (EURm)	6.0	1.4	329%
Net result before minorities (EURm)	4.4	1.5	193%
EPS (EUR)	0.49	0.08	513%
Customer base value (EURm)	31.0	24.5	27%
CLIQ-factor	1.64	1.40	17%
Net debt (EURm)	5.8	7.9	-27%
Free cash flow (EURm)	4.3	-1.1	n.m.

Source: Quirin Privatbank, CLIQ Digital

Regional breakdown

Territory	Sales H1-20 (EURm)	in %	Sales H1-19 (EURm)	in %
Europe	24.0	51%	23.9	85%
North America	19.6	42%	2.9	10%
Other countries	3.6	8%	1.4	5%
Total	47.2	100%	28.2	100%

Source: Quirin Privatbank, CLIQ Digital

The growth in revenues is largely attributable to the successful marketing strategy in the Northern American market. Besides this, CLIQ basically acquires licenses from its content partners on a regional basis: As the US market is by far its biggest single market, growth potential is higher compared to one of its European countries.

Launch of a new streaming platform

In the third quarter of this year CLIQ will launch its new "CLIQ – All in One" streaming platform, which will enable members unlimited access to multiple content categories in one place, with one membership (subscription) for the whole family without any device restrictions. The current content categories consist of movies, music, sports and audiobooks. An additional category for games will be added during Q4 of 2020. The initial launch will take place in Germany (EUR 14.99 per month) to be followed by other countries where CLIQ operates its business.

Profit & loss statement

Profit & loss statement (EUR m)	2018	YOY	2019	YOY	2020e	YOY	2021e	YOY	2022e	YOY
Sales	58.2	-17.5 %	63.1	8.5 %	95.2	50.9 %	105.4	10.6 %	114.5	8.6 %
Cost of sales	42.1		44.3		66.9		74.0		80.4	
Gross profit	16.2		18.8		28.4		31.4		34.1	
Personnel expenses	8.4		8.5		12.4		13.4		14.3	
Other operating income	0.0		0.0		0.0		0.0		0.0	
Other operating expenses	3.7		3.9		5.6		6.1		6.5	
EBITDA	3.9	-85.3 %	5.8	49.1 %	11.4	97.4 %	12.8	12.8 %	14.2	11.0 %
EBITDA margin (%)	6.62		9.11		11.92		12.15		12.41	
EBIT	3.0	-42.3 %	4.8	59.9 %	10.4	117.3 %	11.8	14.0 %	13.2	11.8 %
EBIT margin (%)	5.13		7.56		10.89		11.22		11.55	
Net interest	0.4		-0.9		-0.7		-0.2		0.2	
Income from Participations	n.a.		n.a.		n.a.		n.a.		n.a.	
Net financial result	0.4		-0.9		-0.7		-0.2		0.2	
Exceptional items	n.a.		n.a.		n.a.		n.a.		n.a.	
Pretax profit	3.4	-25.7 %	3.9	15.0 %	9.7	151.1 %	11.6	19.6 %	13.4	15.4 %
Pretax margin (%)	5.77		6.12		10.19		11.02		11.70	
Taxes	0.4		0.0		2.2		2.6		3.0	
Tax rate (%)	10.95		-0.71		22.88		22.47		22.06	
Earnings after taxes	3.0		3.9		7.5		9.0		10.4	
Minorities	0.8		1.7		2.5		3.0		3.5	
Group attributable income	2.2	-34.4 %	2.2	2.6 %	5.0	126.2 %	6.0	20.3 %	7.0	16.0 %
No. of shares (m)	6.2		6.2		6.2		6.2		6.2	
Earnings per share (EUR)	0.35	-34.4 %	0.36	2.6 %	0.81	126.2 %	0.97	20.3 %	1.13	16.0 %

Source: Company data, Quirin Privatbank estimates

Balance sheet

Balance sheet (EUR m)	2018	YOY	2019	YOY	2020e	YOY	2021e	YOY	2022e	YOY
Assets										
Cash and cash equivalents	1.3		0.7		2.9		2.1		4.6	
Accounts receivables	6.5		8.2		12.4		13.7		14.9	
Inventories	3.9		5.6		8.4		9.3		10.1	
Other current assets	0.8		0.6		0.6		0.6		0.6	
Tax claims	0.4		0.1		0.1		0.1		0.1	
Total current assets	12.9	16.1 %	15.2	17.7 %	24.4	60.3 %	25.8	5.8 %	30.3	17.3 %
Fixed assets	1.3		0.7		0.2		-0.3		-0.6	
Goodwill	47.9		48.1		48.1		48.1		48.1	
Other intangible assets	0.9		0.7		0.7		0.7		0.7	
Financial assets	0.0		0.0		0.0		0.0		0.0	
Deferred taxes	1.8		3.1		1.8		1.8		1.8	
Other fixed assets	1.0		0.3		0.3		0.3		0.3	
Total fixed assets	52.8	-3.9 %	52.9	0.2 %	51.1	-3.4 %	50.6	-0.9 %	50.3	-0.7 %
Total assets	65.7	-0.5 %	68.1	3.6 %	75.5	10.8 %	76.4	1.3 %	80.6	5.4 %
Equity & Liabilities										
Subscribed capital	6.2		6.2		6.2		6.2		6.2	
Reserves & other	46.6		46.6		46.6		46.6		46.6	
Revenue reserves	-5.6		-8.2		-5.2		-1.6		2.6	
Accumulated other comprehensive	-0.2		0.1		0.4		0.8		1.2	
Shareholder's equity	47.8	2.6 %	46.7	-2.3 %	50.0	7.0 %	54.0	8.0 %	58.6	8.5 %
Minorities	0.8		2.0		2.0		2.0		2.0	
Shareholder's equity incl. minorities	47.8	2.6 %	46.7	90.7 %	50.0	7.0 %	54.0	8.0 %	58.6	8.5 %
Long-term liabilities										
Pension provisions	0.0		0.0		0.0		0.0		0.0	
Financial liabilities	0.0		9.9		7.2		2.2		0.0	
Tax liabilities	0.9		1.2		1.9		2.1		2.2	
Other liabilities	0.9		1.5		2.3		2.6		2.8	
Total long-term debt	1.8	10.4 %	12.7	595.2 %	11.4	-10.4 %	6.9	-39.9 %	5.0	-26.4 %
Short-term debt										
Other provisions	0.0		0.0		0.0		0.0		0.0	
Trade payables	2.3		2.0		3.0		3.4		3.6	
Financial debt	8.1		0.0		0.0		0.0		0.0	
Other liabilities	4.6		5.6		8.4		9.3		10.2	
Total short-term debt	16.1	-9.7 %	8.7	-46.1 %	14.1	62.4 %	15.6	10.6 %	17.0	8.6 %
Total equity & liabilities	65.7	-0.5 %	68.1	3.6 %	75.5	10.8 %	76.4	1.3 %	80.6	5.4 %

Source: Company data, Quirin Privatbank estimates

Financial key ratios

Key ratios	2018	2019	2020e	2021e	2022e
Per share data (EUR)					
EPS	0.35	0.36	0.81	0.97	1.13
Book value per share	7.7	7.5	8.1	8.7	9.5
Free cash flow per share	4.7	6.0	7.4	0.5	0.6
Dividend per share	0.00	0.28	0.32	0.39	0.45
Valuation ratios					
EV/Sales	1.31	1.24	0.77	0.66	0.57
EV/EBITDA	19.7	13.7	6.5	5.4	4.6
EV/EBIT	25.5	16.5	7.1	5.9	4.9
P/E	4.9	8.1	13.9	11.5	9.9
P/B	0.2	0.4	1.4	1.3	1.2
Dividend yield (%)	0.0	9.7	2.9	3.5	4.0
Growth					
Sales growth (%)	-17.5	8.5	50.9	10.6	8.6
EBITDA growth (%)	-85.3	49.1	97.4	12.8	11.0
EBIT growth (%)	-42.3	59.9	117.3	14.0	11.8
EPS growth (%)	-34.4	2.6	126.2	20.3	16.0
Profitability ratios					
EBITDA margin (%)	6.6	9.1	11.9	12.2	12.4
EBIT margin (%)	5.1	7.6	10.9	11.2	11.5
Net margin (%)	3.7	3.5	5.3	5.7	6.1
ROCE (%)	6.1	6.8	11.6	15.9	17.8
Financial ratios					
Total equity (EUR m)	47.8	46.7	50.0	54.0	58.6
Equity ratio (%)	72.7	68.6	66.2	70.6	72.7
Net financial debt (EUR m)	6.8	9.2	4.3	0.1	-4.6
Net debt/Equity	0.7	0.7	0.7	0.7	0.7
Interest cover	6.9	5.3	13.3	31.9	317.7
Net debt/EBITDA	1.8	1.6	0.4	0.0	-0.3
Payout ratio (%)	0.0	78.4	40.0	40.0	40.0
Working Capital (EUR m)	-3.2	6.5	10.3	10.2	13.3
Working capital/Sales	-0.05	0.10	0.11	0.10	0.12

Source: Company data, Quirin Privatbank estimates

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This report was completed 24/08/2020 10:34 CEST (Delegierte Verordnung 2016/958, Artikel 3 Absatz 1e)

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HOLD <=-10% and < = +10%

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Ralf Marinoni, financial analyst, hereby certifies that all of the views expressed in this report accurately reflect my personal views about any and all of the subject securities or issuers discussed herein. In addition, I hereby certify that no part of my compensation was, is, or will be, directly or indirectly related to the specific recommendations or views expressed in this research report, nor is it tied to any specific investment banking transaction performed by the Bank or its affiliates.

Price and Rating History (last 12 months)

Date	Price target-EUR	Rating	Initiation
24.08.2020	21.00	Buy	
07.07.2020	16.00	Buy	
26.06.2020	10.00	Buy	
16.06.2020	10.00	Buy	16.06.2020

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