

February 3rd, 2023  
Research comment

# SMC Research

## Small and Mid Cap Research



**Platz 1**  
Europe  
Industrials  
(2018)



**Platz 2**  
German  
Software & IT  
(2018)



**Platz 1**  
German  
Software & IT  
(2017)

**Mehrfacher Gewinner**  
der renommierten  
**Refinitiv Analyst Awards**

# 3U Holding AG

## Announced profit multiplication achieved

**Rating:** Buy (unchanged) | **Price:** 4.00 € | **Price target:** 5.50 € (prev.: 5,60 €)

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Please take notice of the disclaimer at the end of the document!

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# Curent development



## Basic data

Based in:	Marburg
Sector:	E-Commerce, Renewables
Headcount:	85
Accounting:	IFRS
ISIN:	DE0005167902
Ticker:	UUU:GR
Price:	4.00 Euro
Market segment:	Prime Standard
Number of shares:	35.8 m
Market Cap:	143.3 m Euro
Enterprise Value:	-40.9 m Euro
Free float:	70.4 %
Price high/low (12M):	4.36 / 2.06 Euro
Øturnover (Xetra, 12M):	108,000 Euro / day

FY ends: 31.12.	2022e	2023e	2024e
Sales (m Euro)	63.0	55.0	59.2
EBIT (m Euro)	161.3	3.5	3.6
Net profit	158.7	1.6	1.7
EPS	4.49	0.04	0.05
Dividend per share	1.91	0.02	0.02
Sales growth	12.7%	-12.7%	7.6%
Profit growth	5,339%	-99.0%	5.0%
PSR	2.34	2.69	2.50
PER	0.9	91.3	86.9
PCR	7.9	25.5	25.4
EV / EBIT	-	-	-
Dividend yield	47.8%	0.5%	0.6%

## Sales up 13 percent

According to preliminary figures, 3U Holding generated revenues of around EUR 63 m in the last financial year, which means that sales increased by around 13 percent. Even adjusted for the contribution of the weclapp subgroup, which was deconsolidated at the end of September, growth was around 13 percent, according to the company; according to our calculations, it may even have been somewhat higher. Of these approximately EUR 50.5 m, about EUR 31 m were contributed by the SHAC segment, whose sales were increased by 15 percent according to company figures. Significant growth on a comparable scale was also recorded in the Renewable Energies segment, which benefited above all from the significantly higher electricity sales prices. But the telecommunications business, which is by far the largest part of the ITC segment after the departure of weclapp, was also able to grow slightly.

## Net profit of EUR 159 m

The increase in earnings figures, which multiplied thanks to the high income from the sale of weclapp (as well as the InnoHubs real estate project), had a completely different dimension. While EBITDA rose from EUR 11.3 m to EUR 166 m, net income rose to EUR 159 m, up from EUR 2.9 m in the previous year. In terms of both sales and profit, 3U has thus met the forecast updated in response to the weclapp sale.

## Final quarter weaker in operating terms

Broken down to the fourth quarter, in which the special effects no longer played a role, however, the preliminary figures show a decreasing dynamic. Especially the SHAC segment, whose growth had steadily increased in the quarters before, experienced a slowdown at the end of the year. The company explains this with the dampening effect of the economic weakness and inflation on demand, as a result of which the otherwise strong year-end business was weaker this time. Nevertheless, Selfio managed to grow clearly in 2022 despite the very weak trend in the DIY online

m Euro	12 2023	12 2024	12 2025	12 2026	12 2027	12 2028	12 2029	12 2030
Sales	55.0	59.2	63.6	67.6	71.7	76.2	81.1	86.4
Sales growth		7.6%	7.3%	6.4%	6.0%	6.2%	6.4%	6.6%
EBIT margin	6.4%	6.1%	6.0%	5.9%	5.9%	5.6%	5.3%	5.0%
<b>EBIT</b>	<b>3.5</b>	<b>3.6</b>	<b>3.8</b>	<b>4.0</b>	<b>4.2</b>	<b>4.2</b>	<b>4.3</b>	<b>4.3</b>
Tax rate	29.8%	29.8%	29.8%	29.8%	29.8%	29.8%	29.8%	29.8%
Adjusted tax payments	1.1	1.1	1.1	1.2	1.3	1.3	1.3	1.3
<b>NOPAT</b>	<b>2.5</b>	<b>2.6</b>	<b>2.7</b>	<b>2.8</b>	<b>3.0</b>	<b>3.0</b>	<b>3.0</b>	<b>3.0</b>
+ Depreciation & Amortisation	4.4	4.4	4.3	4.3	4.3	4.3	4.3	4.3
+ Increase long-term accruals	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
+ Others	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Gross operating cash flow</b>	<b>6.9</b>	<b>7.0</b>	<b>7.0</b>	<b>7.1</b>	<b>7.3</b>	<b>7.3</b>	<b>7.3</b>	<b>7.4</b>
- Increase Net Working Capital	-0.3	-0.3	-0.4	-0.4	-0.4	-0.4	-0.5	-0.5
- Investments in fixed assets	22.2	-0.9	-1.0	-1.0	-1.1	-1.1	-1.2	-1.3
<b>Free cash flow</b>	<b>28.8</b>	<b>5.7</b>	<b>5.7</b>	<b>5.7</b>	<b>5.8</b>	<b>5.7</b>	<b>5.6</b>	<b>5.6</b>

*SMC estimation model*

market. A decreasing sales dynamic can also be seen for the fourth quarter in the segment Renewable Energies, where the unfavourable weather this time became visible. This is the main reason why the group EBITDA in the fourth quarter is estimated to have remained at a moderate level of around EUR 0.5 m.

### Estimates largely unchanged

However, as we had already formulated our estimates cautiously beforehand, the preliminary figures are in line with our expectations. This is especially true for sales and net profit (EUR 63.4 m and EUR 159 m respectively), while EBITDA was slightly below our estimate (EUR 167.7 m). Overall, this does not result in a major need for adjustment. The biggest changes resulted from the roll-over of the model to the new base year 2023, the definition of a large part of the liquidity gained last year as excess cash (last year it still represented an operating inflow variable within the cash flow model) and the change in our discount rate, which we have implemented in all our models since the turn of the year. The assumed safe rate was increased from 1.5 to 2.5 percent, reflecting the increase in the current yield. At the same time, we have slightly increased the – already conservatively calculated – borrowing costs from 4.5 to 5.0 percent. With un-

changed assumptions regarding the target debt ratio (15 percent), the market risk premium (5.8 percent), the beta factor (1.1) and the tax rate for the tax shield (30 percent), this results in a new average cost of capital (WACC) of 8.1 percent (previously: 7.2 percent).

### New price target: EUR 5.50

Discounting the estimated cash flows with this interest rate leads to a new fair value of EUR 202.2 m or EUR 5.47 per share, from which we derive EUR 5.50 as a new, very slightly reduced (previously: EUR 5.60), price target (a sensitivity analysis for the price target determination can be found in the appendix). It should be noted that we have already assumed the exercise of all share options and calculated with a diluted number of shares of 36.9 million. As before, the valuation model is based on the continuation of the organic development of the 3U Group in its current form. Changes that could result from the new growth strategy, and in particular new acquisitions, are not yet taken into account here. Nor have we included the planned effects of wind farm repowering in Langendorf, for which we want to wait for the approval process to become more concrete. We have left the rating of the estimation risk unchanged, for which we con-

tinue to assign three points on a scale of 1 (low) to 6 (high).

## Conclusion

With the preliminary figures for 2022, 3U has met expectations and achieved the profit forecast, which was massively increased in the wake of the weclapp sale. With revenues of around EUR 63 m (+13 percent), EBITDA increased by almost 1,400 percent to EUR 166 m and net profit multiplied to EUR 159 m. This means that the 3U Group earned more last year than the stock market currently gives the company credit for in terms of valuation.

3U was also able to grow in continued activities. Considered separately, momentum was somewhat weaker in the fourth quarter, but this was mainly due to unfavourable weather for electricity production and a

weaker market environment for the e-commerce subsidiary Selfio. Nevertheless, Selfio outperformed its own sector last year and thus increased its market share.

As the preliminary figures are largely in line with our expectations and we see no other reason for a significant change compared to our last assessment in November, we have maintained our estimates for 2023 and the following years. Modifications have resulted from the roll-over of the model to 2023 as well as from the increase in the discount rate and the assumed number of shares. Overall, our price target of EUR 5.50 is only slightly below the previous figure (EUR 5.60). On this basis, we confirm the “Buy” rating.

## Annex I: SWOT analysis

### Strengths

- The 3U Group has been profitable since 2016, and revenues have grown organically every year since 2017.
- With the weclapp sale, a major engagement was concluded with a very high profit far above market expectations.
- Last year was closed with a very high profit of EUR 159 m – more than the current market capitalisation.
- With the conclusion of attractive PPAs, the Renewable Energies segment is also very soundly positioned for the future.
- After the weclapp sale, 3U has an excellent balance sheet and liquidity position with very high net liquidity.

### Opportunities

- A very generous dividend can be expected from last year's record profit. We expect a dividend yield of around 50 percent.
- Selfio should continue to benefit from the trend towards e-commerce, and the ITC activities are also targeting an attractive market.
- Growth is also to be accelerated through acquisitions, for which a very large capital cushion is now available.
- The repowering of the wind farms promises further earnings potential.
- The current stock market valuation does not even cover the current liquidity and thus offers clear upside potential.

### Weaknesses

- Margins in the e-commerce segment are very low, and despite the progress made, the SHAC segment is still negative on an EBIT basis.
- The share of repeat purchases is still very low at Selfio due to the business model.
- Adverse weather conditions significantly slowed down the development of the Renewable Energies Segment in the second half of the year.
- The sale of weclapp eliminates the main element of the previous growth story. New focal points still have to be developed and also presented more strongly in the market.
- After the weclapp sale, the weight of the electricity revenues increases and with it the dependence of the figures on weather conditions.

### Threats

- Efforts to improve Selfio's profitability could fail given the intense price competition in e-commerce.
- The slowdown in demand that Selfio felt in the fourth quarter could continue or even worsen.
- Last year's supply bottlenecks could continue.
- Electricity revenues could become the target of special taxation or similar measures.
- Experience shows that the planned acquisition course entails risks such as the misjudgement of a target or integration problems.
- The high pressure to reinvest could further increase the risks of acquisitions.

## Annex II: Balance sheet and P&L estimation

### Balance sheet estimation

m Euro	2022e	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e
<b>ASSETS</b>									
I. Total non-current assets	32.9	29.3	25.8	22.4	19.1	15.8	12.7	9.6	6.6
1. Intangible assets	2.4	2.1	1.9	1.7	1.5	1.4	1.3	1.2	1.1
2. Tangible assets	29.3	26.0	22.8	19.6	16.4	13.3	10.3	7.3	4.4
II. Total current assets	208.7	144.2	147.6	151.1	154.7	158.2	161.6	165.1	168.5
<b>LIABILITIES</b>									
I. Equity	210.3	143.2	144.2	145.2	146.4	147.7	149.0	150.3	151.7
II. Accruals	2.2	2.2	2.2	2.3	2.3	2.3	2.3	2.4	2.4
III. Liabilities									
1. Long-term liabilities	17.8	16.7	15.6	14.5	13.2	11.9	10.6	9.3	8.0
2. Short-term liabilities	11.2	11.3	11.4	11.5	11.8	12.1	12.4	12.7	13.0
<b>TOTAL</b>	<b>241.6</b>	<b>173.5</b>	<b>173.4</b>	<b>173.5</b>	<b>173.7</b>	<b>174.0</b>	<b>174.3</b>	<b>174.7</b>	<b>175.1</b>

### P&L estimation

m Euro	2022e	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e
Sales	63.0	55.0	59.2	63.6	67.6	71.7	76.2	81.1	86.4
Gross profit	31.5	21.6	22.3	23.1	23.8	24.5	25.3	26.1	27.0
EBITDA	166.2	8.0	8.0	8.2	8.3	8.5	8.5	8.6	8.6
EBIT	161.3	3.5	3.6	3.8	4.0	4.2	4.2	4.3	4.3
EBT	160.9	2.4	2.5	2.8	3.1	3.4	3.5	3.6	3.8
EAT (before minorities)	159.1	1.7	1.8	2.0	2.2	2.4	2.5	2.5	2.6
EAT	158.7	1.6	1.7	1.9	2.1	2.3	2.4	2.5	2.6
EPS	4.49	0.04	0.05	0.05	0.06	0.06	0.06	0.07	0.07

## Annex III: Cash flows estimation and key figures

### Cash flows estimation

m Euro	2022e	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e
CF operating	18.7	5.8	5.8	6.0	6.1	6.3	6.3	6.4	6.5
CF from investments	134.6	-0.8	-0.9	-1.0	-1.0	-1.1	-1.1	-1.2	-1.3
CF financing	21.4	-70.0	-2.1	-2.1	-2.3	-2.4	-2.5	-2.5	-2.6
Liquidity beginning of year	12.7	187.4	122.4	125.2	128.1	131.0	133.8	136.5	139.2
Liquidity end of year	187.4	122.4	125.2	128.1	131.0	133.8	136.5	139.2	141.7

### Key figures

Percent	2022e	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e
Sales growth	12.7%	-12.7%	7.6%	7.3%	6.4%	6.0%	6.2%	6.4%	6.6%
Gross margin	50.0%	39.3%	37.7%	36.3%	35.2%	34.2%	33.2%	32.2%	31.3%
EBITDA margin	263.7%	14.5%	13.5%	12.8%	12.3%	11.9%	11.2%	10.6%	10.0%
EBIT margin	255.8%	6.4%	6.1%	6.0%	5.9%	5.9%	5.6%	5.3%	5.0%
EBT margin	255.2%	4.4%	4.3%	4.4%	4.6%	4.7%	4.6%	4.5%	4.3%
Net margin (after minorities)	251.7%	2.9%	2.9%	3.0%	3.1%	3.2%	3.1%	3.0%	3.0%

## Annex IV: Sensitivity analysis

WACC	Perpetual cash flow growth				
	2.0%	1.5%	1.0%	0.5%	0.0%
7.1%	5.77	5.70	5.64	5.59	5.55
7.6%	5.66	5.60	5.55	5.51	5.48
8.1%	5.56	5.51	5.47	5.44	5.41
8.6%	5.47	5.44	5.40	5.38	5.35
9.1%	5.40	5.37	5.34	5.32	5.30

# Disclaimer

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## *Charts*

The charts were made with Tai-Pan ([www.lp-software.de](http://www.lp-software.de)).

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## *II) Preparation and updating*

The present financial analysis was prepared by: Dipl. Volkswirt Dr. Adam Jakubowski

Participants in the preparation of the present financial analysis: -

The present analysis was finished on 03.02.2023 at 7:15 and published on 03.02.2023 at 9:00.

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Buy	We expect an increase in price for the analysed financial instrument by at least 10 per-cent. We assess the estimation risk as average (3 to 4 points).
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The expected change in price refers to the current share price of the analysed company. This price and any other share prices used in this analysis are XETRA closing prices as of the last trading day before publication. If the share is not traded on XETRA, the closing price of another public stock exchange is used with a separate note to that effect.

The price targets published within the assessment are calculated with common methods of financial mathematics, especially with the DCF (discounted cash flow) method, the sum of the parts valuation and a peer group analysis. The valuation methods are affected by economic framework conditions, especially by the development of the interest rates.

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Date	Investment recomm.	Price target	Conflict of interests
15.11.2022	Buy	5.60 Euro	1), 3), 4)
12.09.2022	Buy	5.50 Euro	1), 3), 4)
18.08.2022	Buy	3.60 Euro	1), 3), 4)
16.05.2022	Buy	3.70 Euro	1), 3)
13.04.2022	Buy	3.70 Euro	1), 3), 4)
17.11.2021	Hold	4.40 Euro	1), 3), 4)
31.08.2021	Buy	3.80 Euro	1), 3), 4)
19.05.2021	Hold	3.50 Euro	1), 3), 4)
18.03.2021	Buy	3.00 Euro	1), 3), 4)

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The publishing dates for the financial analyses are not yet fixed at the present moment.

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