

May 14th, 2020
Research comment

SMC Research
Small and Mid Cap Research



3U Holding AG

Very good Q1 figures

Rating: Buy (unchanged) | **Price:** 1.49 € | **Price target:** 2.05 € (prev.: 1.90 €)

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Highly dynamic in several areas



Basic data

Based in:	Marburg
Sector:	Software / E-Commerce
Headcount:	209
Accounting:	IFRS
ISIN:	DE0005167902
Ticker:	UUU:GR
Price:	1.49 Euro
Market segment:	Prime Standard
Number of shares:	35.3 m
Market Cap:	52.6 m Euro
Enterprise Value:	54.2 m Euro
Free Float:	67.0 %
Price high/low (12M):	1.79 / 0.85 Euro
Ø turnover (Xetra, 12 M):	42,300 Euro / day

FY ends: 31.12.	2019	2020e	2021e
Sales (m Euro)	51.4	58.1	66.5
EBIT (m Euro)	5.5	3.2	6.7
Net Profit	4.1	1.1	3.6
EPS	0.12	0.03	0.11
Dividend per share	0.04	0.03	0.04
Sales growth	7.2%	13.0%	14.4%
Profit growth	111.7%	-72.5%	218.9%
PSR	0.99	0.87	0.76
PER	12.4	45.3	14.2
PCR	10.9	7.2	5.3
EV / EBIT	9.5	16.5	7.8
Dividend yield	2.7%	2.0%	2.7%

Current development

With the figures for the first quarter, 3U Holding has set an exclamation mark and created a solid basis for achieving the sales and earnings growth targeted for 2020 despite the Corona crisis. With sales growth of 22 percent to EUR 16.0 m, disproportionately high increases were recorded at all earnings levels: EBITDA increased by 41 percent to EUR 2.9 m, EBIT by 82 percent to EUR 1.6 m, earnings before taxes by 109 percent to EUR 1.5 m and net income by 75 percent to EUR 0.9 m. Once again, the software manufacturer weclapp achieved the most dynamic growth, increasing its sales by 56 percent and improving its EBITDA margin by almost 8 percentage points to 32.5 percent. The e-commerce business also recorded rising revenues. The same applies to the Voice Retail segment (declining in previous periods), which grew thanks to the Corona-related stronger demand. But in absolute terms, the largest contribution to growth in revenue and earnings came from the Renewable Energies segment, whose earnings were boosted by the favourable wind and sun conditions and the initial consolidation of the Roge wind farm.

Conclusion

As 3U had already indicated a good start to the new year in the 2019 annual report, we had expected good figures for the first quarter. However, the current momentum was a pleasant surprise. This is especially true for weclapp and for the energy segment. A drop of bitterness, on the other hand, is the declining earnings trend in the SHAC segment despite the growth in sales, which reduced the consolidated profit by almost EUR 0.5 m. Nevertheless, after the Q1 figures, our previous estimates seem a little too cautious, which is why we have raised them in some areas (see page 3). As a result, the fair value has increased to EUR 2.05 per share, on the basis of which we confirm the "Buy" rating.

Annex I: DCF model

m Euro	12 2020	12 2021	12 2022	12 2023	12 2024	12 2025	12 2026	12 2027
Sales	58.1	66.5	77.0	87.4	102.3	119.0	138.3	158.2
Sales growth		14.4%	15.8%	13.6%	17.0%	16.3%	16.3%	14.3%
EBIT margin	5.5%	10.1%	9.5%	8.8%	7.8%	8.7%	9.9%	10.8%
EBIT	3.2	6.7	7.3	7.7	8.0	10.4	13.7	17.0
Tax rate	29.8%	29.8%	29.8%	29.8%	29.8%	29.8%	29.8%	29.8%
Adjusted tax payments	0.9	2.0	2.2	2.3	2.4	3.1	4.1	5.1
NOPAT	2.2	4.7	5.1	5.4	5.6	7.3	9.6	12.0
+ Depreciation & Amortisation	5.8	6.0	5.9	4.9	4.4	3.9	3.9	3.8
+ Increase long-term accruals	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
+ Others	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Gross operating Cash Flows	8.1	10.8	11.2	10.4	10.1	11.3	13.6	15.8
- Increase Net Working Capital	-0.3	-0.4	-0.4	-0.5	-0.6	-0.7	-0.8	-0.9
- Investments in fixed assets	-12.9	-13.6	-2.6	-2.7	-2.8	-2.8	-2.9	-3.0
Free Cash Flows	-5.1	-3.2	8.1	7.2	6.8	7.7	9.9	11.9

SMC estimation model

Model adjustments

In response to the strong performance in the first quarter and based on the assumption that quarters two to four will be comparable to the previous year in terms of wind availability and solar radiation, we have increased the assumed revenue contribution of the Energy segment to EUR 9.4 m. We have also raised the growth rates for weclapp and Voice Retail by 5 percentage points each to 30 and -5 percent respectively. This results in a new estimate for consolidated sales of EUR 58.1 m, which means that we are now within the range of EUR 58 to 63 m that the company is targeting and that it has confirmed. The earnings estimate is now higher as well (EBITDA: EUR 9.0 m, previously: EUR 8.5 m), albeit still below corporate guidance (EUR 10 to 12 m). In view of the loss development in the SHAC segment, we have refrained

from raising this figure any further, but we do see further potential if the contribution to earnings from the sale of assets were to exceed the EUR 2 m we have assumed. As a reminder: in the last financial year, 3U generated income of EUR 5.3 m from the sale of properties, which made a significant contribution to the result.

With the basic data of the model remaining the same, the changes have resulted in a new fair value of EUR 2.04 per share, from which we derive the new price target of EUR 2.05.

Annex II: Balance sheet and P&L estimation

Balance sheet estimation

m Euro	12 2019	12 2020	12 2021	12 2022	12 2023	12 2024	12 2025	12 2026	12 2027
ASSETS									
I. Total non-current assets	45.7	52.8	60.4	57.1	54.9	53.2	52.2	51.1	50.3
1. Intangible assets	2.6	3.0	3.3	3.6	3.9	4.1	4.4	4.6	4.8
2. Tangible assets	38.7	44.1	50.0	45.0	41.2	37.8	35.1	32.4	29.9
II. Total current assets	34.8	33.8	36.3	40.5	44.0	47.1	51.1	56.0	61.6
LIABILITIES									
I. Equity	46.5	45.8	48.6	50.9	53.4	55.9	59.9	65.4	72.3
II. Accruals	1.5	1.5	1.6	1.7	1.8	1.9	2.0	2.0	2.1
III. Liabilities									
1. Long-term liabilities	21.5	27.4	33.8	32.2	30.7	29.4	27.6	25.4	22.6
2. Short-term liabilities	11.0	11.8	12.6	12.8	13.0	13.3	13.8	14.3	15.0
TOTAL	80.5	86.6	96.7	97.6	98.9	100.4	103.2	107.2	112.0

P&L estimation

m Euro	12 2019	12 2020	12 2021	12 2022	12 2023	12 2024	12 2025	12 2026	12 2027
Sales	51.4	58.1	66.5	77.0	87.4	102.3	119.0	138.3	158.2
Gross profit	22.6	27.8	30.9	34.8	38.6	46.4	56.5	68.2	80.0
EBITDA	10.1	9.0	12.7	13.3	12.6	12.4	14.3	17.6	20.8
EBIT	5.5	3.2	6.7	7.3	7.7	8.0	10.4	13.7	17.0
EBT	4.7	2.1	5.6	6.1	6.6	6.8	9.1	12.5	16.1
EAT (before minorities)	4.4	1.5	3.9	4.3	4.6	4.8	6.4	8.8	11.3
EAT	4.1	1.1	3.6	3.7	3.8	3.6	4.7	6.5	8.4
EPS	0.12	0.03	0.11	0.11	0.11	0.10	0.14	0.19	0.25

Annex II: Cash flows estimation and key figures

Cash flows estimation

m Euro	12 2019	12 2020	12 2021	12 2022	12 2023	12 2024	12 2025	12 2026	12 2027
CF operating	4.7	7.0	9.6	9.9	9.1	8.7	9.7	12.0	14.2
CF from investments	9.2	-12.9	-13.6	-2.6	-2.7	-2.8	-2.8	-2.9	-3.0
CF financing	-5.6	4.3	5.8	-3.8	-3.7	-3.8	-4.1	-5.5	-7.2
Liquidity beginning of year	12.3	20.6	19.0	20.8	24.3	26.9	29.0	31.8	35.4
Liquidity end of year	20.6	19.0	20.8	24.3	26.9	29.0	31.8	35.4	39.5

Key figures

Percent	12 2019	12 2020	12 2021	12 2022	12 2023	12 2024	12 2025	12 2026	12 2027
Sales growth	7.2%	13.0%	14.4%	15.8%	13.6%	17.0%	16.3%	16.3%	14.3%
Gross margin	44.0%	47.9%	46.4%	45.2%	44.2%	45.4%	47.5%	49.3%	50.6%
EBITDA margin	19.6%	15.4%	19.1%	17.2%	14.4%	12.1%	12.0%	12.7%	13.1%
EBIT margin	10.7%	5.5%	10.1%	9.5%	8.8%	7.8%	8.7%	9.9%	10.8%
EBT margin	9.0%	3.7%	8.5%	7.9%	7.5%	6.7%	7.7%	9.0%	10.2%
Net margin (after minorities)	8.0%	1.9%	5.4%	4.8%	4.3%	3.5%	4.0%	4.7%	5.3%

Disclaimer

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Charts

The charts were made with Tai-Pan (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 14.05.2020 at 11:05 and published on 14.05.2020 at 11:15.

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