

February 17th, 2020
Research comment

SMC Research
Small and Mid Cap Research



3U Holding AG

weclapp continues with high dynamics

Rating: Buy (unchanged) | **Price:** 1.64 € | **Price target:** 2.40 € (previously: 2.10 €)

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Software specialist weclapp grows by 50 %



Basic data

Based in:	Marburg
Sector:	Software / E-Commerce
Headcount:	199
Accounting:	IFRS
ISIN:	DE0005167902
Ticker:	UUU:GR
Price:	1.64 Euro
Market segment:	Prime Standard
Number of shares:	35.3 m
Market Cap:	57.9 m Euro
Enterprise Value:	68.1 m Euro
Free Float:	67.04 %
Price high/low (12M):	1.79 / 0.98 Euro
Øturnover (Xetra, 12 M):	30,400 Euro / day

FY ends: 31.12.	2019e	2020e	2021e
Sales (m Euro)	51.9	59.7	66.5
EBIT (m Euro)	6.2	4.8	3.0
Net Profit	4.1	2.2	1.0
EPS	0.12	0.06	0.03
Dividend per share	0.04	0.04	0.04
Sales growth	8.1%	15.1%	11.3%
Profit growth	112.0%	-46.5%	-53.6%
PSR	1.08	0.94	0.84
PER	13.7	25.5	55.0
PCR	15.7	8.1	10.3
EV / EBIT	10.6	13.7	21.9
Dividend yield	2.4%	2.4%	2.4%

Current development

According to a recent announcement, weclapp SE, the fastest growing unit of the 3U Group, has continued its expansion course in 2019 with a 50 percent increase in sales to EUR 4.5 m. For January 2020, the company is also reporting sustained high momentum with further sales growth. Despite the upfront expenditures for further growth (especially in the form of headcount increases), weclapp continues to combine this revenue growth with a remarkable profitability, which was reflected in an EBITDA margin well above 20 percent in 2019. 3U has also taken an expansion step in the renewable energy segment and strengthened it in December by the acquisition of another wind farm consisting of eight wind turbines near Rostock, which together produce an average of around 20,000 MWh of electricity per year. As the guaranteed feed-in tariff for the wind farm will expire in two stages by the end of 2021, 3U sees considerable potential for added value by securing further operation, already approved by the authorities, with the intended conclusion of a power purchase agreement. The management also sees repowering potential at the site, the realisation of which could significantly increase the wind farm's value.

Conclusion

In general, however, 3U continues to adhere to its strategy of concentrating on weclapp and the e-commerce subsidiary Selfio in the future. The newly acquired wind farm's added value will ultimately also serve to finance the expansion of these two core investments. Thus, both the acquisition and weclapp's current development basically fit the scenario we have assumed. Following the integration of the new wind farm, our price target has increased to EUR 2.40 (see page 3), and our rating remains "Buy".

Annex I: DCF model

m Euro	12 2020	12 2021	12 2022	12 2023	12 2024	12 2025	12 2026	12 2027
Sales	59.7	66.5	75.8	86.8	102.3	119.8	140.1	160.9
Sales growth		11.3%	14.0%	14.5%	17.9%	17.1%	16.9%	14.9%
EBIT margin	8.1%	4.5%	5.3%	6.5%	8.1%	9.5%	10.8%	11.9%
EBIT	4.8	3.0	4.0	5.7	8.3	11.4	15.2	19.1
Tax rate	29.8%	29.8%	29.8%	29.8%	29.8%	29.8%	29.8%	29.8%
Adjusted tax payments	1.4	0.9	1.2	1.7	2.5	3.4	4.5	5.7
NOPAT	3.4	2.1	2.8	4.0	5.8	8.0	10.6	13.4
+ Depreciation & Amortisation	4.5	4.2	4.3	3.1	3.1	3.1	3.2	2.8
+ 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	8.0	6.4	7.1	7.1	9.0	11.2	13.9	16.3
- Increase Net Working Capital	-0.3	-0.3	-0.4	-0.4	-0.5	-0.6	-0.7	-0.8
- Investments in fixed assets	-1.0	-0.7	-0.7	-0.7	-0.8	-0.8	-0.8	-0.9
Free Cash Flows	6.7	5.4	6.1	6.0	7.8	9.9	12.4	14.7

SMC estimation model

Model adjustments

We have integrated the acquisition of the wind farm into our model, assuming that the wind turbines can continue to be operated until the end of 2026. We have also rolled over the model to the base year 2020. In addition, we have assumed other operating income of EUR 2 m at the holding company level for 2020 because, after talking to the company, the previous approach (EUR 0) seemed too cautious. The company is indeed confident that it will be able to achieve a significant contribution to earnings from asset sales in 2020 as well. In addition to the sale of wind farms, the new real estate project in Würzburg, which is to go into pre-marketing this year, could also be eligible.

These changes result in a new EBITDA estimate of EUR 9.4 m for 2020 (previously: EUR 6.1 m); we now expect EBIT to be EUR 4.8 m (previously: EUR 1.8 m) and net income to be EUR 2.2 m (EUR 0.4 m).

The number of shares has also changed because 3U sold 1.0 m treasury shares in December. We have now included these shares in the calculation of the price target. Overall, however, the changes in estimates and the roll-over effect led to an increase in fair value, which we now estimate at EUR 2.40 (previously: EUR 2.10).

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	38.3	34.8	31.2	27.7	25.3	22.9	20.6	18.2	16.3
1. Intangible assets	2.1	2.0	1.9	1.9	1.9	1.8	1.8	1.8	1.8
2. Tangible assets	34.1	30.7	27.2	23.7	21.4	19.0	16.7	14.4	12.4
II. Total current assets	36.9	39.6	42.5	46.6	50.4	55.0	60.4	66.9	74.1
LIABILITIES									
I. Equity	44.8	45.2	45.4	46.9	49.3	52.9	57.8	64.3	72.4
II. Accruals	1.4	1.5	1.6	1.7	1.8	1.8	1.9	2.0	2.1
III. Liabilities									
1. Long-term liabilities	18.3	17.1	16.1	14.9	13.7	12.2	9.8	6.8	3.2
2. Short-term liabilities	10.6	10.6	10.7	10.7	10.9	11.0	11.5	12.0	12.7
TOTAL	75.1	74.4	73.7	74.3	75.7	77.9	81.0	85.2	90.4

P&L estimation

m Euro	12 2019	12 2020	12 2021	12 2022	12 2023	12 2024	12 2025	12 2026	12 2027
Sales	51.9	59.7	66.5	75.8	86.8	102.3	119.8	140.1	160.9
Gross profit	22.5	26.9	29.2	33.5	38.3	47.3	58.2	70.9	83.7
EBITDA	10.6	9.4	7.3	8.3	8.8	11.4	14.6	18.3	21.9
EBIT	6.2	4.8	3.0	4.0	5.7	8.3	11.4	15.2	19.1
EBT	5.4	3.7	2.1	3.3	5.0	7.6	10.8	14.7	18.9
EAT (before minorities)	4.3	2.6	1.5	2.3	3.5	5.3	7.6	10.3	13.3
EAT	4.1	2.2	1.0	1.6	2.5	3.9	5.6	7.7	10.0
EPS	0.12	0.06	0.03	0.05	0.07	0.12	0.17	0.23	0.29

Annex III: 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	3.6	6.9	5.5	6.3	6.3	8.1	10.2	12.9	15.4
CF from investments	10.4	-1.0	-0.7	-0.7	-0.7	-0.8	-0.8	-0.8	-0.9
CF financing	-4.0	-3.6	-2.5	-2.1	-2.5	-3.6	-5.0	-6.8	-8.8
Liquidity beginning of year	12.3	22.2	24.5	26.8	30.2	33.2	36.9	41.3	46.6
Liquidity end of year	22.2	24.5	26.8	30.2	33.2	36.9	41.3	46.6	52.3

Key figures

Percent	12 2019	12 2020	12 2021	12 2022	12 2023	12 2024	12 2025	12 2026	12 2027
Sales growth	8.1%	15.1%	11.3%	14.0%	14.5%	17.9%	17.1%	16.9%	14.9%
Gross margin	43.4%	45.0%	43.9%	44.1%	44.2%	46.3%	48.6%	50.6%	52.0%
EBITDA margin	20.5%	15.7%	10.9%	10.9%	10.1%	11.1%	12.1%	13.1%	13.6%
EBIT margin	12.0%	8.1%	4.5%	5.3%	6.5%	8.1%	9.5%	10.8%	11.9%
EBT margin	10.5%	6.2%	3.1%	4.3%	5.8%	7.4%	9.0%	10.5%	11.8%
Net margin (after minorities)	7.9%	3.7%	1.5%	2.1%	2.9%	3.8%	4.7%	5.5%	6.2%

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 17.02.2020 at 8:05 and published on 17.02.2020 at 8:15.

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