

March 15th, 2023
Research comment

SMC Research

Small and Mid Cap Research

 **Platz 1**
Europe
Industrials
(2018)

 **Platz 2**
German
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 **Platz 1**
German
Software & IT
(2017)

Mehrfacher Gewinner
der renommierten
Refinitiv Analyst Awards

3U Holding AG

Dividend much higher than expected, further growth announced

Rating: Buy (unchanged) | **Price:** 5.04 € | **Price target:** 5.70 € (prev.: 5.50 €)

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Current development



Basic data

Based in:	Marburg
Sector:	E-Commerce, Renewables
Headcount:	85
Accounting:	IFRS
ISIN:	DE0005167902
Ticker:	UUU:GR
Price:	5.04 Euro
Market segment:	Prime Standard
Number of shares:	36.7 m
Market Cap:	185.0 m Euro
Enterprise Value:	1.0 m Euro
Freefloat:	69.8 %
Price high/low (12M):	5.10 / 2.06 Euro
Ø turnover (Xetra, 12M):	168,200 Euro / day

FY ends: 31.12.	2022e	2023e	2024e
Sales (m Euro)	63.0	56.9	61.3
EBIT (m Euro)	161.3	2.7	4.1
Net profit	158.7	2.7	3.2
EPS	4.32	0.07	0.09
Dividend per share	3.20	0.04	0.04
Sales growth	12.7%	-9.7%	7.7%
Profit growth	5,338.9%	-98.3%	18.1%
PSR	2.95	3.27	3.04
PER	1.2	69.5	58.9
PCR	10.0	28.4	26.7
EV / EBIT	-	0.8	0.5
Dividend yield	63.5%	0.7%	0.8%

Profitable growth continues

3U Holding has published a forecast for 2023 and thus for the first financial year after the sale of the weclapp subgroup, which has shaped the development and perception of the entire group to date. In specific terms, this year's revenues are expected to be between EUR 55 and 60 m, which means growth of between 10 and 20 percent compared to last year's revenues from continuing operations (EUR 50 m). On this basis, EBITDA is expected to reach between EUR 6.0 and 8.0 m and net income between EUR 2.5 and 3.5 m. While revenue growth is expected to come from the Renewable Energies and SHAC segments (in the ITC segment, on the other hand, lower telephony fees, which are largely a transitory item for 3U, will reduce revenues), the improvement in operating results is expected to be achieved in all three segments: in the ITC segment through a higher gross margin and a shift in the revenue mix towards more profitable business areas, in the Energy segment through higher electricity sales prices and in the SHAC segment through the combination of economies of scale and product range effects as well as process improvements. With regard to the product range, 3U has announced the market launch of its own innovative heating system as well as the expansion of the range to include electrical products. The fact that the operating profit will nevertheless be below the comparative figure from 2022 is due to the absence of income from the property development business, which contributed EUR 6.4 m to the consolidated result last year through the sale of the Innohub project.

Dividend proposal at EUR 3.20

A week earlier, 3U had already provided quite a surprise with the announcement of the dividend proposal to the Annual General Meeting. After the company had repeatedly indicated in recent months that it wanted shareholders to participate generously in the very high profit from the sale of the weclapp subgroup, the proposal now amounts to EUR 3.20 per share. This is well above what we had expected based

m Euro	12 2023	12 2024	12 2025	12 2026	12 2027	12 2028	12 2029	12 2030
Sales	56.9	61.3	65.8	70.1	74.3	79.0	84.1	89.7
Sales growth		7.7%	7.4%	6.4%	6.1%	6.3%	6.5%	6.7%
EBIT margin	4.8%	6.6%	6.4%	6.3%	6.3%	6.0%	5.7%	5.4%
EBIT	2.7	4.1	4.2	4.4	4.7	4.7	4.8	4.8
Tax rate	29.8%	29.8%	29.8%	29.8%	29.8%	29.8%	29.8%	29.8%
Adjusted tax payments	0.8	1.2	1.3	1.3	1.4	1.4	1.4	1.4
NOPAT	1.9	2.8	3.0	3.1	3.3	3.3	3.3	3.4
+ Depreciation & Amortisation	4.1	4.1	4.1	4.0	4.0	4.0	4.0	4.0
+ 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
Gross operating cash flow	6.1	7.0	7.1	7.2	7.3	7.3	7.4	7.4
- Increase Net Working Capital	-0.3	-0.4	-0.4	-0.4	-0.4	-0.5	-0.5	-0.5
- Investments in fixed assets	22.1	-0.9	-1.0	-1.1	-1.1	-1.2	-1.3	-1.3
Free cash flow	27.9	5.7	5.7	5.7	5.8	5.7	5.6	5.5

SMC estimation model

on the previous distribution practice (around 50 percent of profit). Now the ratio is over 70 percent of the group's profit. Should the Annual General Meeting scheduled for 15 May approve this proposal, the dividend yield would be a remarkable 63.5 percent at the current price level, despite the recent jump.

Estimates slightly adjusted

Hitherto, we had calculated revenues of EUR 55.0 m, EBITDA of EUR 8.0 m and net profit of EUR 1.7 m for 2023. In response to the new forecast, we have now somewhat increased the expected sales (to EUR 56.9 m), but slightly reduced the assumed operating profitability, so that we now expect EBITDA at EUR 6.9 m. Thus, both estimates are now in the middle of the forecast range. We have significantly raised the estimate of the net result (to EUR 2.7 m), where we had apparently underestimated the – positive – impact of the increased interest rates on the financial result.

Changed capital structure

Another change concerns the assumed capital structure. In response to the dividend proposal, which was well above our previous estimates (and in anticipation of its approval at the AGM on 15 May), we have in-

creased the debt ratio to 20 percent, which has reduced the weighted average cost of capital (WACC) to 7.8 percent from 8.1 percent previously.

New price target: EUR 5.70

The changes result in a new fair value of equity of EUR 210.0 m or EUR 5.68 per share. From this we derive the new price target of EUR 5.70, which has thus increased slightly (previously: EUR 5.50; a sensitivity analysis can be found in the Annex). It should be noted that we have not yet integrated the expected significant positive effect of the planned repowering measures at the Langendorf wind farm (after which the annual wind yield of the farm is expected to almost triple to 108,000 MWh) into our model, because we want to wait for the further progress of the approval process. What has also changed is the fair value dividend, which we now see at EUR 2.50 per share due to the non-operating assets reduced by the distribution amount.

Conclusion

With the announcement of the dividend of EUR 3.20 per share, 3U has clearly exceeded not only our expectations but also those of the market. We are no less

positive about the now published forecast for 2023, which has confirmed our previous expectations regarding the continuation of the profitable growth path in the continued operations.

We have nevertheless slightly adjusted our estimates in few places, resulting in a slightly increased price target of EUR 5.70. Despite the rapid price jump after the announcement of the dividend proposal, we consequently continue to see significant price potential for the 3U share and confirm our “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.
- This was a continuation of the long series of successfully completed investments.
- Last year was closed with a very high profit of EUR 159 m.
- 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 dividend of EUR 3.20 per share is to be distributed from last year's record profit, which would currently correspond to a dividend yield of over 60 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, despite the high payout.
- The repowering of the wind farms promises further earnings potential.
- After the end of the Brandenburg moratorium on wind turbines, 3U's project portfolio could – at least in part – be successfully developed further after all.

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
ASSETS									
I. Total non-current assets	32.9	29.6	26.4	23.4	20.4	17.5	14.7	11.9	9.3
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	26.3	23.4	20.5	17.7	15.0	12.2	9.6	7.0
II. Total current assets	208.7	97.9	101.7	105.3	109.0	112.7	116.3	119.9	123.6
LIABILITIES									
I. Equity	210.3	97.5	99.3	101.1	103.0	105.1	107.2	109.3	111.5
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	16.5	15.2	13.9	12.3	10.7	9.1	7.5	5.9
2. Short-term liabilities	11.2	11.3	11.4	11.5	11.7	12.0	12.3	12.7	13.0
TOTAL	241.6	127.5	128.1	128.7	129.3	130.1	131.0	131.9	132.9

P&L estimation

m Euro	2022e	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e
Sales	63.0	56.9	61.3	65.8	70.1	74.3	79.0	84.1	89.7
Gross profit	31.5	21.8	22.5	23.3	24.0	24.7	25.5	26.4	27.4
EBITDA	166.2	6.9	8.1	8.3	8.5	8.7	8.7	8.8	8.8
EBIT	161.3	2.7	4.1	4.2	4.4	4.7	4.7	4.8	4.8
EBT	160.9	3.9	4.6	4.9	5.1	5.5	5.7	5.9	6.1
EAT (before minorities)	159.1	2.7	3.2	3.4	3.6	3.9	4.0	4.2	4.3
EAT	158.7	2.7	3.2	3.3	3.5	3.8	3.9	4.1	4.2
EPS	4.32	0.07	0.09	0.09	0.10	0.10	0.11	0.11	0.11

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	6.6	7.0	7.1	7.3	7.5	7.6	7.7	7.8
CF from investments	134.6	-0.9	-0.9	-1.0	-1.1	-1.1	-1.2	-1.3	-1.3
CF financing	21.4	-117.0	-2.9	-3.1	-3.3	-3.4	-3.5	-3.6	-3.7
Liquidity beginning of year	12.7	187.4	76.1	79.3	82.2	85.2	88.2	91.0	93.8
Liquidity end of year	187.4	76.1	79.3	82.2	85.2	88.2	91.0	93.8	96.6

Key figures

Percent	2022e	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e
Sales growth	12.7%	-9.7%	7.7%	7.4%	6.4%	6.1%	6.3%	6.5%	6.7%
Gross margin	50.0%	38.2%	36.7%	35.4%	34.3%	33.3%	32.3%	31.4%	30.5%
EBITDA margin	263.7%	12.1%	13.3%	12.6%	12.1%	11.7%	11.0%	10.4%	9.8%
EBIT margin	255.8%	4.8%	6.6%	6.4%	6.3%	6.3%	6.0%	5.7%	5.4%
EBT margin	255.2%	6.9%	7.5%	7.4%	7.3%	7.4%	7.2%	7.0%	6.8%
Net margin (after minorities)	251.7%	4.7%	5.2%	5.1%	5.0%	5.1%	5.0%	4.8%	4.7%

Annex IV: Sensitivity analysis

WACC	Perpetual cash flow growth				
	2.0%	1.5%	1.0%	0.5%	0.0%
6.8%	6.05	5.96	5.88	5.82	5.77
7.3%	5.91	5.84	5.78	5.73	5.68
7.8%	5.79	5.73	5.68	5.64	5.60
8.3%	5.69	5.64	5.60	5.57	5.54
8.8%	5.60	5.57	5.53	5.50	5.47

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 15.03.2023 at 12:20 and published on 15.03.2023 at 12:35.

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Date	Investment recomm.	Price target	Conflict of interests
02.03.2023	Buy	5.50 Euro	1), 3), 4)
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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