

3U Holding

Cloud computing and e-commerce growth

3U Holding's diverse portfolio benefits from exposure to long-term growth trends across cloud computing, e-commerce and renewable energy. Solid execution, a cash-generative property sale and the increasingly realistic prospect of a value catalysing weclapp IPO has seen its shares rise by 74% ytd. We highlight the main trends in its three segments.

The shift to the cloud

ITC accounted for 27% of 3U Holding's H119 sales (€6.9m) but nearly 70% of earnings. While segment sales declined 9% y-o-y, weclapp grew 50% to €2.1m. weclapp has developed a cloud-based ERP software platform for small and medium sized enterprises specialising in online commerce. The broader shift to cloud-based software has helped drive its 100% revenue CAGR between 2013 and 2018 and management expects a further 50% y-o-y growth in H219. 3U Holding believes weclapp's rapid growth is set to continue. It has stated its intention to list the business and its 75% stake was independently valued in June at c €50m.

Growth in e-commerce

At 57% of sales, SHAC is 3U Holding's largest segment. It delivered 24% y-o-y revenue growth in H119 primarily driven by Selfio, an online shop specialising in selling SHAC equipment predominantly to consumers. Selfio grew 30% y-o-y and now accounts for two-thirds of segment sales. The steady shift to online sales in the DIY sector is expected to sustain a growth rate above 10% in Selfio's core market. Investment in the supply chain saw segment margins turn negative in H1, but management views these issues as temporary and Selfio's EBITDA doubled y-o-y.

Rising renewables

Renewable Energies is 3U Holding's smallest segment (16% of H119 sales). The company currently has 45MW capacity in a mixture of solar and (increasingly) onshore wind. While the opportunities to deploy new onshore wind capacity in Germany are currently modest, the existing business is highly cash generative.

Valuation: weclapp IPO could be a catalyst

The Marburg property sale in August lifted FY19 EBITDA guidance by €5m (to €11m) and frees up €9.7m to either fund acquisitions or be re-invested in weclapp. Such a diverse portfolio is not easy to value but a weclapp IPO could prove to be a catalyst for a re-rating. At €1.6, the shares offer an FY20e dividend yield of 3.4%.

Consensus estimates

Year end	Revenue (€m)	Adj EBITDA	PBT (€m)	EPS (c)	DPS (c)	P/E (x)	Yield (%)
12/17	46.9	6.7	1.9	3.0	2.0	53.0	1.3
12/18	48.0	6.7	1.8	6.0	3.0	26.5	1.9
12/19e	53.1	11.0*	5.6	13.0	4.5	12.2	2.8
12/20e	60.2	11.5	4.1	8.0	5.5	19.9	3.5

Source: Company data, Refinitiv. Note: *Midpoint of company guidance.

Software and comp services

Price €1.59

Market cap €56m

Share price graph



Share details

Code	UUU
Shares in issue	35m
Net debt (€m) as at end June 2019	9.5

Business description

3U Holding is a holding company with assets in three segments: ITC (information and telecommunication technology), Renewable Energies and SHAC (sanitary, heating and air conditioning). All three segments are exposed to long-term growth trends. The company has stated its intention to list weclapp and its 75% equity stake was recently independently valued at c €50m.

Bull

- Exposure to megatrends in cloud computing, e-commerce and renewable energy.
- Property sale frees up capital to reinvest in weclapp or fund further acquisitions.
- A weclapp IPO could prove to be a catalyst for a re-rating.

Bear

- ITC revenues currently shrinking due to falling telephony sales.
- SHAC segment is currently loss-making.
- Profit generation in Renewable Energies is highly weather (wind) dependent.

Analyst

Dan Gardiner +44 (0)20 3077 5700
technology@edisongroup.com