

# 3U HOLDING

**Diversified industries**
**27 October 2021**

## Organic growth in key segments

While Germany's 3U HOLDING (3U) reported declines in H121 top-line revenue, both its information and telecom technology segment (ITC) and sanitary, heating and climate segment (SHAC) showed organic growth. The growing cloud computing and e-commerce industries should boost 3U's prospects, although shortages continue to hamper its SHAC business. To justify multiple expansion, 3U needs to return to growth in its higher-margin renewable energy areas and improve margins in its SHAC segment.

### H121: Divestments and material shortages

While 3U's H121 revenues fell 10% y-o-y to €27.3m, largely due to the Q420 divestment of two portfolio assets (a wind farm and a non-core SHAC subsidiary), it grew organic revenues by c 4%. Notably, the ITC segment grew 20% to €11m (or 40% of 3U's revenues), as the high-margin cloud computing unit grew revenues by 45%. SHAC, 3U's largest segment at 51% of group revenues, saw revenues fall 14.1% due to the divestment, although the segment did improve continuing revenue by 11% y-o-y from its e-commerce business. Consequently, 3U [reaffirmed its guidance](#) of flat FY21 revenues of c €58–63m and EBITDA of c €11–13m as organic growth should continue to offset lost revenue from disposed assets.

### Cloud computing and e-commerce as megatrends

One trend benefiting 3U is the growing ERP cloud computing market, where MarketsandMarkets predicts a [17% annual growth rate through 2025, then reaching \\$101.2b in global sales](#). This trend should boost 3U's weclapp high-margin, cloud-based solutions business, which continued its strategy of purchasing businesses to accelerate growth with its [Q321 acquisition of ITscope](#). Another key trend is the e-commerce market that management estimates should grow at more than 10% per year through 2030. While e-commerce generates lower margins, 3U is making progress towards lifting them. 3U's Selfio, part of the SHAC segment, should benefit from e-commerce's growth, as it runs an online platform for the professional DIY market. However, the supply shortages in the construction businesses will likely continue to hamper SHAC's business in the near term.

### Valuation: Trading at slight premium to peers

At the €3.98 close on 20 October, 3U is up 95% over the last 12 months. Its 11.0x FY22e EV/EBITDA appears to reflect a return to c 20% growth, while it trades at a slight premium to peers. To justify further multiple expansion and upside in its share price, 3U needs to continue growing its higher-margin renewable energy areas, boost its e-commerce margins, and address the SHAC supply shortage.

#### Consensus estimates

Year end	Revenue (€m)	EBITDA (€m)	EPS (€)	DPS (€)	P/E (x)	EV/EBITDA (x)
12/19	51.4	10.1	0.11	0.04	36.2	13.4
12/20	61.1	11.6	0.09	0.05	44.2	11.7
12/21e	59.7	10.8	0.08	0.05	49.8	12.5
12/22e	71.3	12.3	0.11	0.06	36.2	11.0

Source: Company, Refinitiv

**Price** €3.98  
**Market cap** €142m

#### Share price graph



#### Share details

Code	UUU
Shares in issue (as at 30 June 2021)	35.614m
Net cash at 30 June 2021	€6.2m

#### Business description

3U HOLDING (3U), headquartered in Marburg, is a holding company that acquires, manages and sells interests in companies across three primary segments: telecom services, cloud computing and IT services (ITC); sanitary, heating and climate technology anchored in e-commerce (SHAC); and renewable energies such as wind and solar farms (RE). 3U's activities are largely focused on Germany and neighbouring European countries.

#### Bull

- Increasing exposure to high-margin, high-growth cloud services market.
- Organic growth in key ITC and SHAC segments.
- Planned IPO of weclapp subsidiary in 1H22 could unlock value.

#### Bear

- Ongoing acquisitions and disposals make financial comparisons challenging.
- Premium multiples reflect high market expectations.
- Shortages and delays in SHAC segment are affecting the top line.

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