The Platform Group (TPG GY) | Retail

June 03, 2024

Scalability meets niche markets

The Platform Group AG (TPG) is a software specialist, which focuses on connecting small and medium retail enterprises operating in both B2C & B2B to more than 50 online stores that are either owned by TPG or third parties. The company operates 22 platforms and has accumulated 11,987 partners with geographic focus on DACH.
Given TPG's proprietary software, >100 different ERP systems have been connected to its ecosystem. Thus, we view TPG as especially attractive for locally operating stores. We estimate its average commission at c. 20%. Looking ahead, 1) under-penetration of e-Commerce in certain sectors (i.e. DIY), 2) growth of partners, 3) acquisitions (3-8 deals per year), 4) favourable mid to long-term socio-demographic trends in luxury spending (Millennials, Gen Z and Alpha to account for largest expenditure by 2030) and 5) geographic expansion (India & US) are the main top-line drivers. On profitability, we expect positive mix effects from TPG's focus on niche markets (i.e. high-end furniture with DD% margins), while also anticipating scaling benefits on the personnel cost side driven by increased automation. TPG is trading at a 45% discount to our peer group consisting of pure play fashion e-tailers, platforms and serial acquirers on a 2yr fwd P/E, which we see as undemanding in light of on-going positive earnings revision. Hence, we initiate TPG with a Buy rating and a price target of EUR13, implying 35% upside to current levels.

Buy — initiation of coverage

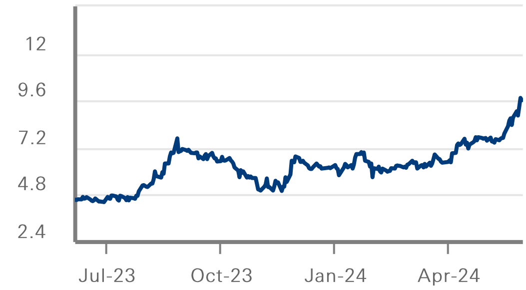
Price* — EUR 9.62

Price target — EUR 13.00

* XETRA trading price at the close of the previous day unless stated otherwise in the Disclosures

Market Cap (EUR m)[1]	194
Enterprise Value (EUR m)[1]	266
Free Float (%)[1]	20.1

Price (in EUR)[1]



Risks to our rating: 1) intensifying competition from peers, 2) weaker macro and 3) personnel cost inflation weighing on profitability

Valuation: We value TPG using a DCF approach (PT: EUR13)

Fundamentals (in EUR m)[1]	2021	2022	2023	2024e	2025e	2026e
Sales	134	172	464	493	529	565
EBITDA	2	14	47	46	52	58
EBIT	-1	9	39	36	42	47
EPS adj. (EUR)	-0.27	1.10	1.48	1.08	1.34	1.53
GMV	n.a.	266.3	693.4	861.0	934.4	1,000.8
DPS (EUR)	0.00	0.00	0.00	0.00	0.00	0.00
BVPS (EUR)	8.24	7.37	4.72	5.19	6.53	8.05
Net Debt incl. Provisions	9	22	72	73	75	75
Ratios[1]	2021	2022	2023	2024e	2025e	2026e
EV/EBITDA	91.6	3.5	3.8	5.8	5.1	4.6
EV/EBIT	-285.2	5.4	4.6	7.3	6.4	5.8
P/E adj.	-80.3	4.0	4.2	9.0	7.3	6.4
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0	0.0
EBITDA margin (%)	1.2	8.2	10.1	9.4	9.9	10.3
EBIT margin (%)	-0.4	5.3	8.4	7.4	7.9	8.3
Net debt/EBITDA	5.7	1.6	1.5	1.6	1.4	1.3
PBV	2.7	0.6	1.3	1.9	1.5	1.2

[1]Sources: Bloomberg, Metzler Research

Performance (in %)[1]	1m	3m	12m
Share	27.2	51.3	112.4
Rel. to SDAX	21.4	38.6	89.3

Sponsored Research

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Company profile

CEO: Dr. Dominik Benner | CFO: Reinhard Hetkamp | Wiesbaden, Germany

The Platform Group AG (TPG) is a software specialist, which focuses on connecting small and medium retail enterprises (SMEs), operating in both B2C as well as B2B, to >50 online stores that are either owned by TPG or third parties.

Major shareholders

Benner Holding GmbH (70%), Paladin Asset Management (9.9%)

Key figures

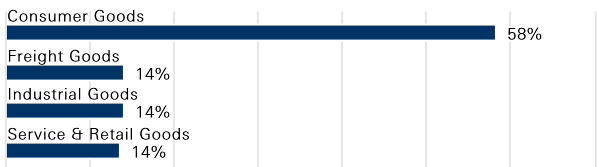
P&L (in EUR m)	2021	%	2022	%	2023	%	2024e	%	2025e	%	2026e	%
Sales	**134**	**n.a.**	**172**	**28.5**	**464**	**170.1**	**493**	**6.2**	**529**	**7.4**	**565**	**6.6**
Gross profit on sales	**51**	**n.a.**	**48**	**-6.5**	**146**	**203.2**	**157**	**7.6**	**170**	**8.6**	**184**	**8.1**
Gross margin (%)	38.4	n.a.	28.0	-27.2	31.4	12.3	31.8	1.4	32.2	1.2	32.6	1.3
EBITDA	**2**	**n.a.**	**14**	**789.0**	**47**	**231.4**	**46**	**-1.0**	**52**	**12.9**	**58**	**10.8**
EBITDA margin (%)	1.2	n.a.	8.2	591.8	10.1	22.7	9.4	-6.8	9.9	5.2	10.3	3.9
EBIT	**-1**	**n.a.**	**9**	**n.m.**	**39**	**326.7**	**36**	**-6.5**	**42**	**14.5**	**47**	**11.9**
EBIT margin (%)	-0.4	n.a.	5.3	n.m.	8.4	58.0	7.4	-11.9	7.9	6.6	8.3	4.9
Financial result	**-1**	**n.a.**	**-0**	**78.9**	**-6**	**n.m.**	**-4**	**40.8**	**-2**	**45.6**	**-2**	**9.0**
EBT	**-2**	**n.a.**	**9**	**555.5**	**32**	**268.5**	**33**	**0.3**	**40**	**21.5**	**45**	**13.0**
Taxes	-0	n.a.	1	447.3	-0	-144.0	10	n.m.	12	21.4	13	13.0
Tax rate (%)	12.2	n.a.	9.3	n.a.	-1.1	n.a.	30.0	n.a.	30.0	n.a.	30.0	n.a.
Net income	-2	n.a.	8	570.6	33	311.0	23	-30.6	28	21.5	31	13.0
Minority interests	0	n.a.	1	n.a.	1	-24.4	1	37.6	1	-15.4	1	-9.1
Net Income after minorities	**-2**	**n.a.**	**7**	**497.0**	**32**	**373.1**	**22**	**-32.6**	**27**	**23.7**	**30**	**13.9**
Number of shares outstanding (m)	6	n.a.	6	-0.8	17	180.9	20	15.1	20	0.0	20	0.0
EPS adj. (EUR)	**-0.27**	**n.a.**	**1.10**	**500.3**	**1.48**	**34.8**	**1.08**	**-26.8**	**1.34**	**23.7**	**1.53**	**13.9**
DPS (EUR)	**0.00**	**n.a.**	**0.00**	**n.a.**	**0.00**	**n.a.**	**0.00**	**n.a.**	**0.00**	**n.a.**	**0.00**	**n.a.**
Dividend yield (%)	0.0	n.a.	0.0	n.a.	0.0	n.a.	0.0	n.a.	0.0	n.a.	0.0	n.a.

Cash Flow (in EUR m)	2021	%	2022	%	2023	%	2024e	%	2025e	%	2026e	%
Gross Cash Flow	**1**	**n.a.**	**-2**	**-260.8**	**22**	**n.m.**	**33**	**47.8**	**38**	**17.1**	**43**	**11.2**
Increase in working capital	**-15**	**n.a.**	**4**	**n.a.**	**82**	**n.a.**	**0**	**n.a.**	**-4**	**n.a.**	**-5**	**n.a.**
Capital expenditures	**-18**	**n.a.**	**-1**	**94.2**	**-75**	**n.m.**	**-30**	**60.4**	**-32**	**-7.4**	**-34**	**-6.6**
D+A/Capex (%)	-11.5	n.a.	-471.0	n.a.	-10.5	n.a.	-33.3	n.a.	-33.3	n.a.	-33.3	n.a.
Free cash flow (Metzler definition)	**-2**	**n.a.**	**-7**	**-339.4**	**-135**	**n.m.**	**3**	**102.2**	**11**	**269.5**	**14**	**24.7**
Free cash flow yield (%)	-1.2	n.a.	-26.4	n.a.	-126.5	n.a.	1.5	n.a.	5.7	n.a.	7.1	n.a.
Dividend paid	0	n.a.	0	n.a.	0	n.a.	0	n.a.	0	n.a.	0	n.a.
Free cash flow (post dividend)	**-2**	**n.a.**	**-7**	**-339.4**	**-135**	**n.m.**	**3**	**102.2**	**11**	**269.5**	**14**	**24.7**

Balance sheet (in EUR m)	2021	%	2022	%	2023	%	2024e	%	2025e	%	2026e	%
Assets	**96**	**n.a.**	**84**	**-12.7**	**284**	**237.7**	**303**	**6.5**	**334**	**10.3**	**373**	**11.7**
Goodwill	**11**	**n.a.**	**16**	**44.7**	**44**	**167.0**	**51**	**17.0**	**59**	**15.2**	**67**	**13.7**
Shareholders' equity	**51**	**n.a.**	**47**	**-7.7**	**82**	**73.1**	**104**	**28.0**	**132**	**26.5**	**163**	**23.7**
Equity/total assets (%)	53.0	n.a.	56.0	n.a.	28.7	n.a.	34.5	n.a.	39.6	n.a.	43.8	n.a.
Net Debt incl. Provisions	**9**	**n.a.**	**22**	**144.3**	**72**	**224.0**	**73**	**1.5**	**75**	**2.9**	**75**	**0.6**
thereof pension provisions	**0**	**n.a.**	**2**	**429.5**	**3**	**55.8**	**3**	**11.9**	**4**	**7.4**	**4**	**6.6**
Gearing (%)	17.7	n.a.	46.8	n.a.	87.6	n.a.	69.5	n.a.	56.5	n.a.	46.0	n.a.
Net debt/EBITDA	5.7	n.a.	1.6	n.a.	1.5	n.a.	1.6	n.a.	1.4	n.a.	1.3	n.a.

Structure

Sales by Division 2023



Sources: Bloomberg, Metzler Research

Executive Summary

Executive Summary

Connecting SMEs to e-Commerce via proprietary software

According to the German Retail Association (HDE), 72% of German retailers have not planned the implementation of AI technology, while KfW suggests that 54% of European SMEs see the need to adopt new technologies to remain competitive. In our view, The Platform Group AG (TPG) provides solutions to these issues. Due to its proprietary software, TPG has provided platform integration for 11,987 partners with >100 different ERP systems across >50 online channels. Effectively, the partners' ERP system is mirrored bi-directionally in the TPG virtual environment so that services relating to merchandise management can be taken over. Moreover, TPG handles sales and post-sales activities, from product photos and the provision of framework contracts, such as utilities and insurance, to pricing, logistics, marketing and payments, while also dealing with returns. We estimate that TPG generates an average commission of 20% from the sales its partners make.

The company is present in 20 industries and reports in four segments. Consumer Goods includes Schuhe24 (shoes), Outfits24 (fashion), Taschen24 (handbags), MyStationary (fashion), EnVogue (fashion), DeinJuwelier (watches & jewellery), hood.de (market place), avocadostore (eco fashion) and fashionette (luxury fashion). Freight Goods is constituted by Möbelfirst (home / furniture), Stylefy (home / furniture), ViveLaCar (car rental), bike-angebot (bikes), Emco (e-scooters), Gem-S (e-mobility), Cluno (cars) and Simon Profi-Technik (Gardening / DIY). Industrial Goods encapsulates Lott Autoteile (car parts), Dentatec (dentistry), The Cube Club (hair dressing), Gindumac (used machinery), MPF (used machinery) and BevMaq (beverage machinery). Lastly, Service & Retail Goods are made up of Aponow & DocGreen (pharmaceutical delivery), teech (education), Klick A (ordering tool), Value Property Platform (real estate) and ten retail stores owned by TPG. Note, OEGE Group (B2B platform) was acquired last week with closing expected for August. For a deep dive into the platforms, please see the Appendix.

Marketplaces at a structural advantage

Although the German e-Commerce market only grew by 1% in FY23, we are mindful that dynamics differ depending on the respective online business models. In our view, marketplaces constitute the most promising online format, which is evidenced by figures from the HDE. Last year, online yoy growth rates from consignors (-4.5%), pure play online shops (+4.1%), offline retailers (+0.4%) and manufacturers (+0.2%) were all below those of marketplaces (+10%) like Amazon, Zalando (Buy, PT: EUR30), and About You. Effectively, we attribute this to the market share of marketplaces in Germany having risen to 54% (vs. FY22: 50%), while other online models lost ground and now stand at 29% (vs. FY22: 33%).

Low online penetrations in Freight and Industrial Goods to drive top-line

While certain sectors in Germany already have relatively high DD% online penetration rates, such as Fashion (42%), Electronics (39%), Hobbies (35%) and Office (34%), we believe there is upside potential in Gardening / DIY (5%), FMCG (5%), Home / Furniture (18%) as well as Health & Wellness (18%). As a result, we see the strongest growth potential in Freight and Industrial Goods, where we model a 12% and 20% top-line CAGR for FY23-FY26E, respectively.

Within Freight Goods, we like bike-angebot as 53% of the German bike market is now constituted by e-bikes, which are especially prevalent in Mountainbikes, Trekking and Urban, according to Statista. In addition to buying new bikes, consumers are increasingly willing to purchase a second or third one, for example for leisure, sports or transport as reported by the Bicycle Association ZIV. Finally, we view bicycle leasing via employers as an important driver of this development, as we estimate that 20% of e-bikes in Germany are leased via such an agreement from which notably specialist retailers are set to benefit.

We also see positive momentum for Möbelfirst and Stylefy. In the medium term, we expect TPG to increase the number of available items through additional partners, including high-priced individual items at Möbelfirst, and connect to additional furniture store chains through Stylefy. Moreover, we also anticipate an expansion of the product offering in complementary sub-categories, such as outdoor furniture. We note that Westwing (Not rated) delivered +6% sales and GMV growth in Q1/24.

In the Industrials division, we estimate the number of dealers at Gindumac to expand to >200 by FY26, which is set to double the product assortment.
We further also see upside through the entry into adjacent categories including wood processing machines and industrial packaging. In light of the new filling machines having lead times spanning six months to 1,5 years, Bevmaq is an attractive alternative by offering used equipment. Here, we project the number of partners increasing to >100, while the assortment size may hit 1,300 items in the medium term.

Focus on niche markets with DD% margins

Although TPG is present in 20 sectors, which ensures a certain degree of diversification, we view its focus on profitable niche markets as more important. According to Grips Intelligence the typical German online shops have seen a 10% drop in visitors in FY23 vs. FY22. Moreover, shoppers are more hesitant to buy, as indicated by a c.15% lower conversion rate. This means that despite the slight up-tick in average order values of c.5%, in part reflecting inflationary effects, most major e-tailers experienced drops in revenue typically ranging between 10 to 30%. To combat these effects, TPG focuses on niche markets with favourable unit economics and DD% margins. One example includes Möbelfirst (home & living appliances), which generates average order values of roughly EUR4,000 with comparably favourable returns rates at low mid-teens %. As a result, we estimate its EBITDA margin at 10-15%.

While, we recognise the benefits of fashionette with >350 brands, >1mn active customers and presence in >14 countries, the luxury sector is currently undergoing a phase of normalisation. In Q1/24, we estimate that the industry expanded by 2% yoy ex-FX, according to our earnings tracker. When looking specifically at Europe, the region was broadly in line with Q4/23 trends, but slowed on a five-year comparison. Overall in the current market environment, turnaround stories, including Kering, Burberry and Salvatore Ferragamo, underperformed and were especially dragged by the weaker wholesale environment, while high-quality names, including Hermès, performed solid. For FY24, we expect 4% growth for the luxury market, which is set to be H2 weighted. Also, Textilwirtschaft conducted a study and found that only 12% of German fashion retailers view e-Commerce in relation to handbags as profitable. While we believe that the long-term drivers of the industry remain in tact, especially in light of Bain suggesting that digital natives (Millennials, Gen Zs and Gen Alpha) may constitute the largest group of luxury buyers by 2030, TPG needs to demonstrate that online luxury fashion can be sustainably profitable.

Networking effect set to drive GMV

TPG is subject to a phenomenon known as the 'networking effect'. According to Harvard Business School Professor Bharat Anand, the willingness to pay increases as the number of buyers for the business grows. In essence, this creates a cycle of growth; as more partners join, the more attractive it becomes for customers, vice versa. As a result, TPG has the capacity to build an ever expanding network of both partners and customers, thus driving market share. Anand adds that once a business is ahead of the curve, it tends to stay there. Looking at profit margins, and given that future customer's willingness to pay depends on the number of existing customers, expanding market share early on is critical as this increases the ability to rise prices at a later date once network effects have been taken full advantage of and the offering has reached its peak. Applying this theoretical model to TPG shows that, using 2019 as a baseline, the number of partners and active customers expanded at a 36% and 49% CAGR when looking at FY23 figures, respectively. Hence, we view growing the number of partners as a key growth driver going forward, as they do not only enhance the breadth and depth of the assortment, but also ensure cross-selling opportunities which should raise average order value and elevate GMV.

Asset-light business model a clear positive for us

TPG follows an asset-light business model, as its automated data management limits the need to hold inventory. With the exception of one warehouse, which processes returns, TPG does not carry own inventory. Although we acknowledge that inventories represented almost 60% of assets on the balance sheet in FY23, this was mainly driven by the ViveLaCar acquisition. Here, TPG acquired EUR53mn worth of cars, which we expect to be sold by Q2/24.

Acquisition strategy

TPG has performed >20 acquisitions since 2018. Going forward, TPG wishes to acquire 3-8 platforms per year and expand into 30 industries by FY25. Regarding geographic reach, we expect an expansion to France and Italy in the near term, while we view the US as well as India as options for the long-run. Also, we would not rule out a take-over bid for Mister Spex (Not rated).

From a financial perspective, TPG's M&A strategy focuses on four main pillars. First, in terms of revenue, the target must have a diversified customer base of >1,000 clients, generate EUR3-100mn in sales and post >10-15% yoy growth. Second, we especially appreciate the fact that TPG does not undertake early stage investments, but prefers platforms with a proven track record. Third, a net debt / EBITDA of below 2x and an adj. EBITDA margin of >3% is required. Fourth, and most obvious, the potential target must follow a platform strategy (or e-Commerce with change to platform strategy) coupled with IT / ERP knowledge. Importantly, we are also mindful that TPG keeps the executive directors of a potential target on board for a minimum of three years. However, note that TPG has a net debt / EBITDA of 2.65x (excl. IFRS 16 liabilities) and 3.0x (incl. IFRS 16 liabilities), according to our calculations. While TPG has demonstrated its cash generating capabilities, we view a reduction of its current leverage ratio as critical. By 2025, TPG wishes to improve its net debt / EBITDA ratio (excl. IFRS16 liabilities) to a 1.5-2.3x.

Valuation

Our selected peers include pure play fashion e-tailers (incl. Zalando and AO World), e-Commerce platforms (i.e. Amazon) but also serial acquirers (i.e. Addnode, Jack Henry and Lifco) given that acquisitions constitute a core part of TPG's strategy. On a 2yr fwd P/E TPG is trading at a 45% discount vs. peers, which we see as undemanding, especially in light of positive earnings revision: we sit well ahead of BBG consensus on FY24 earnings and for the outer years.

Investment Case

The Platform Group in a nutshell

Business model

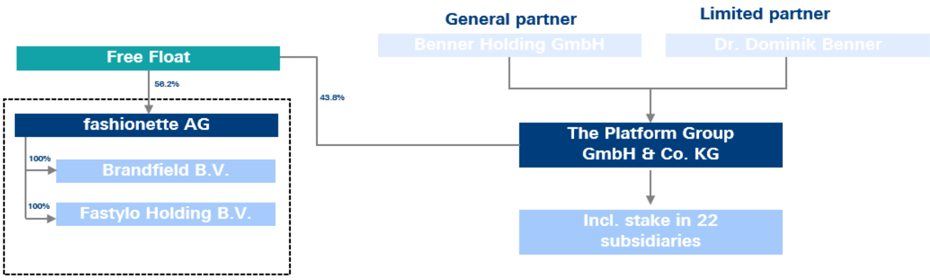
The Platform Group AG (TPG) is a software specialist, which focuses on connecting small and medium retail enterprises, operating in both B2C as well as B2B, to >50 online stores that are either owned by TPG or third parties. To us, the unique selling proposition of TPG is its proprietary software with which new partners or platforms are linked to its ecosystem. Given that TPG operates a total of 22 verticals and has accumulated 11,987 partners at the point of writing, with regional focus on the DACH region, it must account for a variety of ERP systems. So far, TPG has connected >100 different ERP systems to its interface. In our view, this especially raises the reach of locally operating stores.

With the exception of one warehouse, which processes returns, TPG does not carry own inventory. Effectively, once an order is placed on one of TPG's platforms, it handles the payment process, shipping, customer service and returns. We are mindful that TPG lacks the scale of fulfilment solutions offered at Zalando, as the company tends to ship orders individually from their partners to the customers. To combat this effect, TPG focuses on high-priced products, such as luxury fashion through fashionette. Moreover, online marketing, including Search Engine Optimisation (SEO), Search Engine Advertising (SEA) and social media services, are provided to partners.

Acquisition of fashionette AG and emergence of The Platform Group AG

Back in December 2022, The Platform Group GmbH & Co. KG acquired a 38.5% stake in listed luxury e-tailer fashionette AG after the previously largest shareholder GENUI sold its 2.4mn shares. At that point, The Platform Group GmbH & Co. KG already held roughly 5.3% of fashionette AG through the Benner Holding GmbH (General Partner) and Dr. Dominik Benner (Limited partner). Hence, following the transaction total ownership equated to 43.8%.

Corporate structure pre-extraordinary general meeting

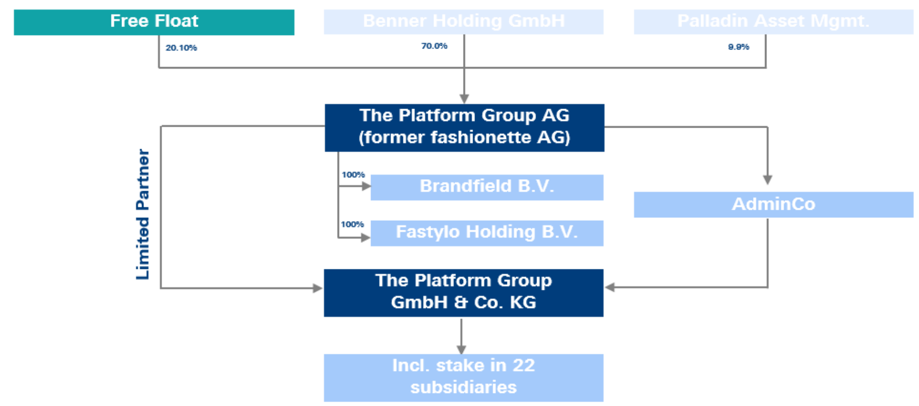


Source: Metzler Research, based on TPG

Following a letter from The Platform Group GmbH & Co. KG to fashionette AG requesting for an Extraordinary General Meeting to convene, the following resolutions were adopted: 1) share capital of fashionette AG to increase to EUR17.27mn (previously: EUREUR6.2mn) against a contribution in kind by The Platform Group GmbH & Co. KG, 2) subscription right of fashionette AG shareholders is to be excluded, 3) new authorised capital with a volume of EUR8.63mn and 4) fashionette

AG is to be renamed 'The Platform Group AG'. Following the transaction, Dr. Dominik Benner remained the CEO of the merged entity. Furthermore, after the capital increase, he now holds 70% in the merged company and is the dominating shareholder, while Paladin Asset Management has a 9.9% stake. The remaining 20.1% are considered free float. For FY24 the total share count stands at 19.88mn.

Corporate structure post extraordinary general meeting



Source: Metzler Research, based on TPG

Segments

Below, we showcase the divisional reporting structure of TPG and shed a light on its designated end-markets. For more information on the respective platforms, please see the overview provided in the Appendix.

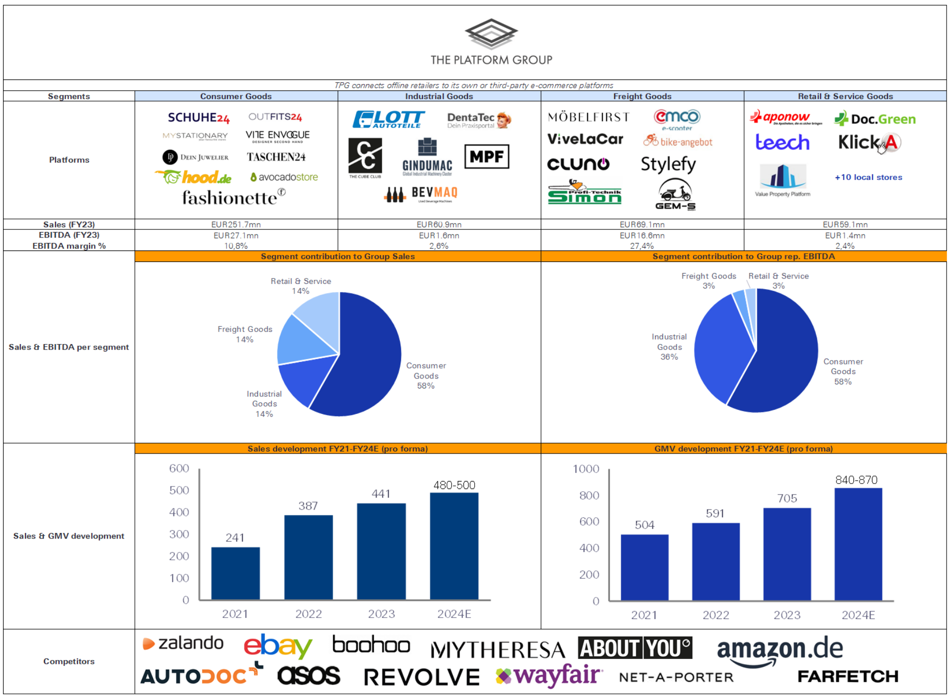
Consumer goods: Represents the largest segment constituting roughly 58% of sales. This divisions comprises end markets spanning the entire fashion space, including sustainable products, jewellery & watches, accessories and shoes. Following the merger with fashionette AG, the offering has now been extended to luxury.

Freight Goods: Denotes approximately 14% of Group sales and includes products that involve transport, logistics as well as delivery processes such as furniture, forest equipment, bicycles, e-scooters and cars.

Industrial Goods: Constitute roughly 14% of total sales and span B2B focused goods & solutions such as used machinery, dental equipment, hairdressing, car/truck parts and industrial supplies.

Service & Retail Goods: Accounts c. 14% of TPG's sales which encapsulate both products and services that are remunerated based on performance. Within this division, the offering ranges from platforms for pharmacies, education, real estate to local stores.

Snapshot of The Platform Group AG



Source: Metzler Research

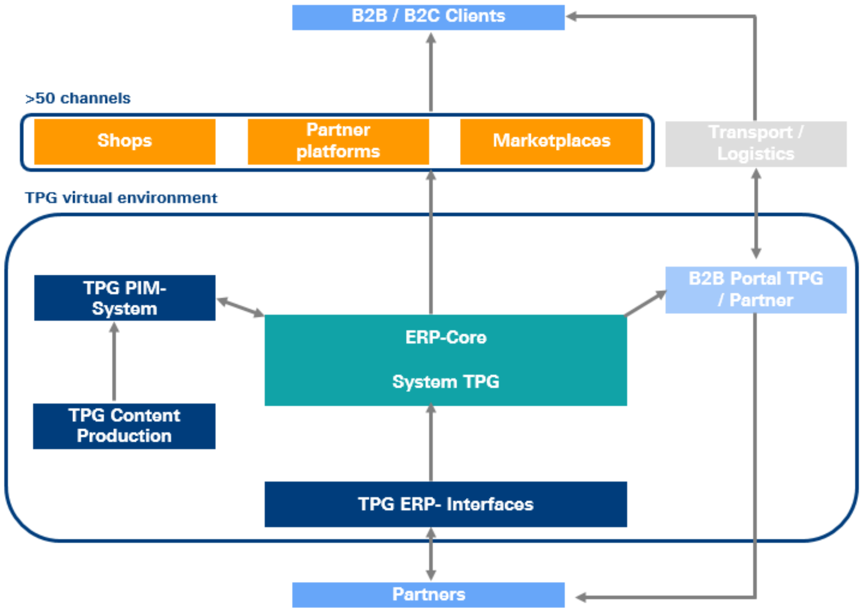
Unique Selling Proposition

In our view, the unique selling proposition of TPG is multi-faceted. First, we like its fully integrated service offering, including platform integration using its proprietary software solution, while also performing sales and after-sales activities for its clients. Second, we appreciate its focus on DD% margin generating niche markets with low returns rates and favourable average order values, for example high-end furniture. Third, we expect TPG to benefit from the 'network effect', where the value of a business grows as the number of partners and customers rises. Fourth, TPG follows an asset-light business model, which has low inventory requirements, thus favouring FCF generation. Below we provide additional colour on the respective pillars.

Proprietary infrastructure and compatibility for SMEs

In our view, TPG's proprietary software platform, which has been developed over the last 10 years and managed by c.110 employees, represents a credible barrier to entry, while also ensuring scalability and mitigating the risk of partners switching. To us, its uniqueness is evidenced by TPG having developed interfaces for more than 100 ERP systems, which stands in contrast to larger players like Zalando, who tend to require their partners to have an SAP-based ERP system. Therefore, we would argue that TPG's platform solution is especially attractive for small and medium enterprises (SMEs). In fact, the German Retail Association (HDE) disclosed that 72% of German retailers have not planned the implementation of AI technology, while KfW suggests that 54% of European SMEs see the need to adopt new technologies to remain competitive.

TPG Architecture

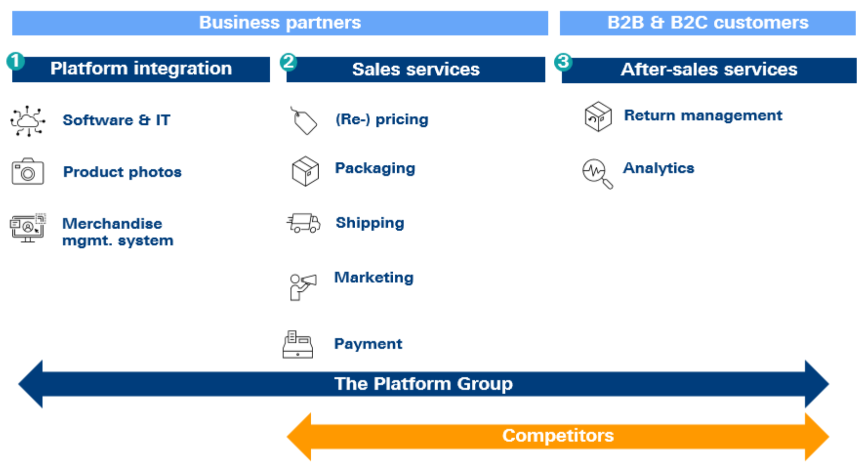


Source: Metzler Research, based on TPG

Full control of e-Commerce value chain

As a fully integrated transaction platform, TPG delivers platform integration as well as sales and after-sales services. Effectively, the partners' ERP system is mirrored bi-directionally in the TPG virtual environment, so that services relating to merchandise management can be handled by TPG. Also, TPG takes care of the respective product photos along with provision of framework contracts, such as utilities and insurance. Furthermore, TPG undertakes the generic sales activities, including pricing, logistics, marketing and payments, while also dealing with returns. Naturally, the partners have access to the sales data at any time via an interface.

Services offered at TGP



Source: Metzler Research, based on TPG

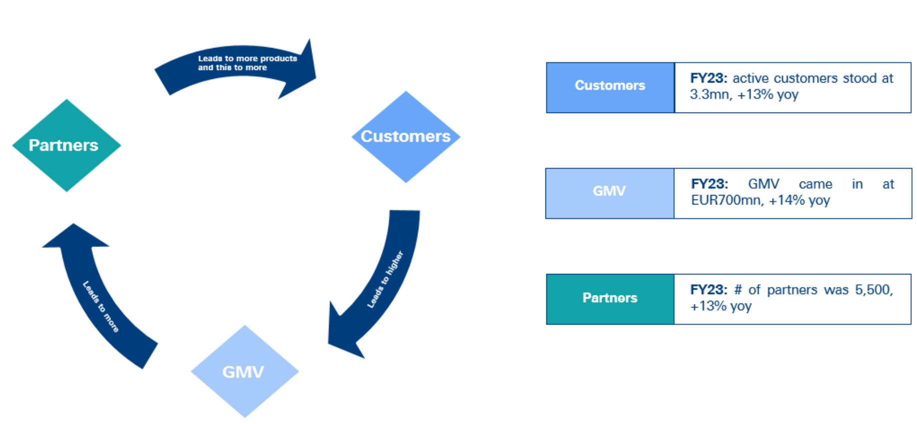
Diversified product portfolio with focus on profitable markets

Naturally, TPG's exposure to 20 different sectors ensures diversification of revenues. However, the competitive e-Commerce environment is becoming increasingly challenging. According to Grips Intelligence the typical German online shops have seen a 10% drop in visitors in FY23 vs. FY22. Moreover, the consumers that do come are much more hesitant to buy, as indicated by a c.15% lower conversion rate. This means that despite the slight up-tick in average order values of c.5%, in part reflecting inflationary effects, most major e-tailers experienced drops in revenue typically ranging between 10 to 30%. To combat these effects, TPG focuses on niche markets with favourable unit economics and DD% margins. For example, we estimate that **Möbelfirst** (home & living appliances) generates average order values of roughly EUR4,000 with returns rates comparably low at mid-teens %. As a result, we estimate their EBITDA margins at 10-15%, respectively.

Networking effect

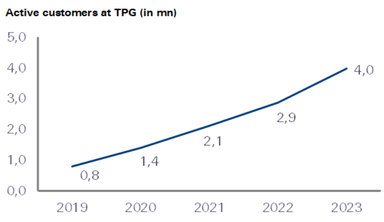
TPG is subject to a phenomenon known as the 'networking effect'. According to Harvard Business School Professor Bharat Anand, the willingness to pay, for a buyer, increases as the number of buyers for the business grows. In essence, this creates a cycle of growth; as more partners join, the more attractive it becomes for customers, vice versa. As a result, TPG has the capacity to build an ever expanding network of both partners and customers, thus driving market share and creating competitive advantages in various verticals. Anand adds that once a business is ahead of the curve, it tends to stay there. With respect to profit margins, given that future customer's willingness to pay depends on the number of existing customers, expanding market share early on is critical as this increases the ability to rise prices at a later date once network effects have been taken full advantage of and the adoption of the offering has reached its peak.

The network effect for TPG... ..... and its effect in the last fiscal year

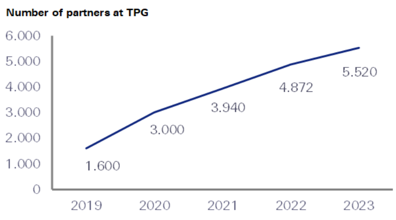


Source: Metzler Research based on TPG

Applying this theoretical model to TPG shows that, using 2019 as a baseline, the number of partners and active customers expanded at a 36% and 49% CAGR, respectively in FY23. Hence, we view growing the number of partners as a key growth driver going forward, as they do not only enhance the breadth and depth of the assortment, but also ensure cross-selling opportunities which should raise average order value and drive GMV



Source: Metzler Research, company data



Source: Metzler Research, company data

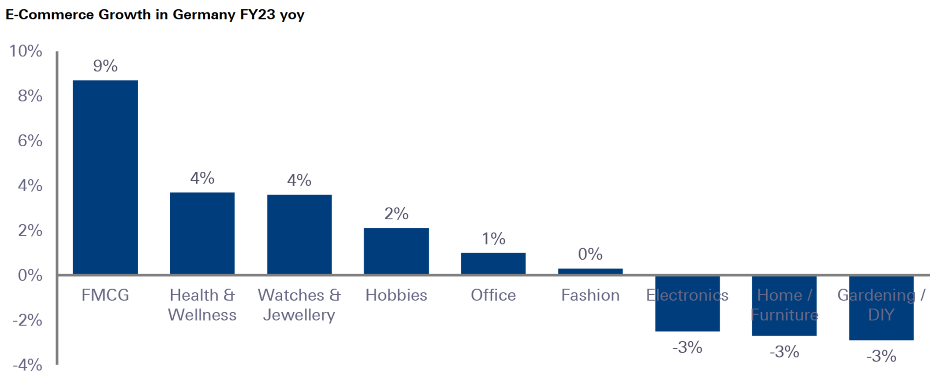
Low inventories should support FCF generation

TPG follows an asset-light business model, as its automated data management limits the need to hold inventory. Although inventories represented 60% of total assets in FY23, this was mainly driven by the ViveLaCar acquisition. Here, TPG acquired EUR53mn worth of cars. Importantly, going forward, TPG will continue ViveLaCar under a leasing business model. We expect the fleet to be sold by Q2/24.

Underlying market drivers

E-Commerce still expected to grow, but at a more pedestrian pace vs. Covid peak

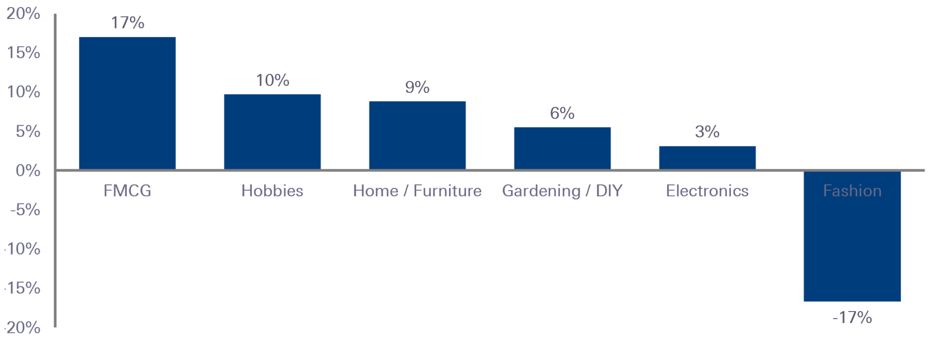
Last year, German e-Commerce sales grew by 1% yoy, which was supported by FMCG (+8.7%), Health & Wellness (3.7%), Watches & Jewellery (+3.6%), Hobbies (+2.1%), Office (+1%) and Fashion (+0,3%), while Electronics (-2.5%), Home Appliances / Furniture (-2.7%) and Gardening / DIY (-2.9%) trended softer, according to the German Retail Association (HDE).



Source: Metzler Research, HDE

While this does represent a normalisation vs. the Covid-19 years of FY20 and FY21, where we saw 23% and 19% growth yoy, respectively, all aforementioned categories, with the exception of Fashion, trended stronger when compared to FY19 (pre-pandemic) levels.

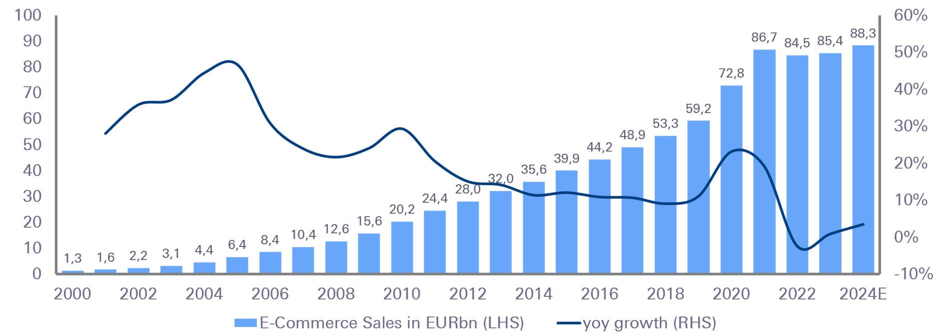
E-Commerce Growth in Germany FY23 vs. FY19



Source: Metzler Research, HDE

Moving into this year, Lars Hofhacker, Head of E-Commerce Research at the EHI Retail Institute, suggests that e-tailers who streamline their processes, optimise cost to ensure manoeuvrability on margins and focus even more on customer needs, will outgrow the market. We also note the ever increasing importance of smartphones with which 55% of all e-Commerce sales (EUR47bn) are made, as estimated by the German E-Commerce Association (bevh). Hence, in our view, generating a user-friendly interlace, which is compatible with mobile devices, will also be a key differentiator between winners and laggards. For FY24, we estimate a +LSD% yoy e-Commerce market growth in Germany, which is consistent with the projections of the bevh (+2%) and HDE (+3.4%). The total share of online sales is expected to remain broadly flat at 13.1% (vs. FY23: 13.2%).

E-Commerce Sales and Growth in Germany 2000-24E yoy

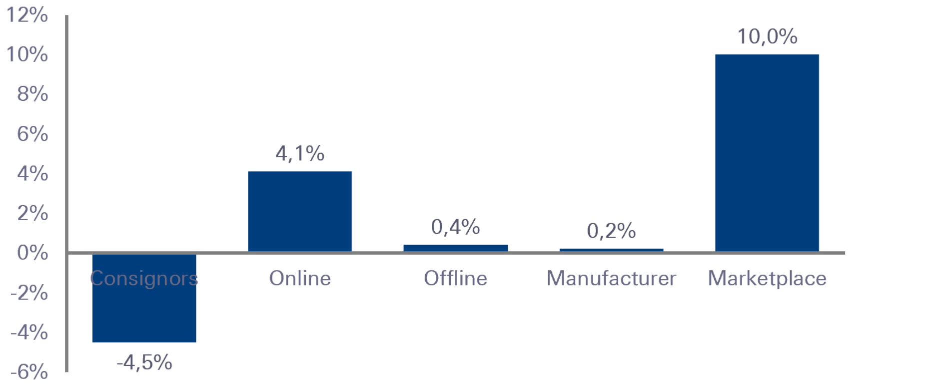


Source: Metzler Research, HDE

Marketplaces at a structural advantage

Although the e-Commerce market only grew by 1% in FY23, we are mindful that dynamics differ depending on the respective online business model. In our view, marketplaces constitute the most promising online format, which is evidenced by figures from the HDE. Last year, online yoy growth rates from consignors (-4.5%), pure play online shops (+4.1%), offline retailers (+0.4%) and manufacturers (+0.2%) were all below those of marketplaces (+10%) like Amazon, Zalando and About You. Effectively, we attribute this to the market share of marketplaces in Germany having risen to 54% (vs. FY22: 50%), while other online models lost ground and now stand at 29% (vs. FY22: 33%).

Online growth rates from consignors, online shops, offline retailers and marketplaces in Germany, FY23

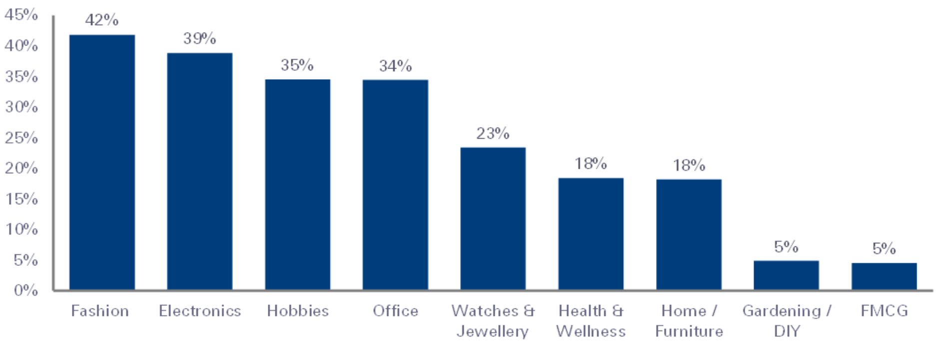


Source: Metzler Research, HDE

Low online penetrations in various sectors with upside potential

While certain sectors in Germany already have relatively high +DD% online penetration rates, such as Fashion (42%), Electronics (39%), Hobbies (35%) and Office (34%), we believe there is upside potential in Gardening / DIY (5%), FMCG (5%), Home / Furniture (18%) as well as Health & Wellness (18%).

Online penetration by sector in Germany, FY23



Source: Metzler Research, HDE

Deconstructing the forecasts

Sales

Below, we showcase the rationale for our top-line estimates by examining the growth drivers of TPG's divisions.

Consumer Goods: Fashion the primary driving force

Consumer Goods encapsulates Schuhe24, Outfits24, Taschen24, MyStationary, EnVogue, DeinJuewlier, hood.de, avocadostore and fashionette. Within this division, we expect a yo3y CAGR (FY23-26) of 6%.

We are starting to see improvements in the German consumer sentiment on the back of data from the German Retail Association (HDE). Its proprietary consumer index rose for the fourth consecutive month to 97.51 points in May, which signifies the highest level since the end of 2021. In April, the index posted a reading of 96,09 following 95.62 in March, 93.72 in February and 93.57 in January. Importantly, we note an increased propensity to consume in May vs. April of 1.36 points. On a yoy basis, the indicator is up by 7.15 points. At the same time, the propensity to save somewhat decreased by 1.33 points in May vs. April.

However, we are mindful that while business expectations improved by 3.51 in May vs. April, the indicator trended 1.24 points lower in a yoy comparison. This underlines that the German consumer is still somewhat hesitant, in our view. Arguably, the on-going crises and lack of economic stimulus may manifest a certain degree of cautiousness from the consumer side given lack of visibility. As a result, we would expect a proportion of the anticipated real wage increases to be used to build financial reserves / savings.

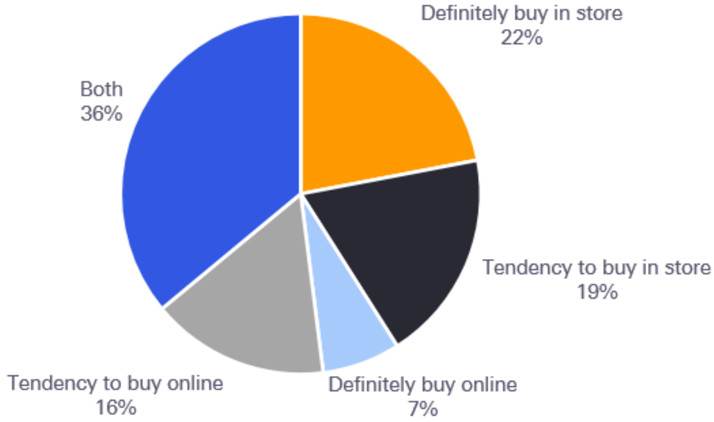
HDE Consumer Index

	Dec 23	Jan 24	Feb 24	Mar 24	Apr 24	May 24
HDE Consumer Index	96,4	93,6	93,7	95,6	96,1	97,5
Propensity to Buy	86,6	82,9	83,7	86,8	86,9	88,3
Propensity to Save	111,2	111,6	109,8	110,9	109,8	108,4
Price expectations	100,9	95,9	91,6	96,0	99,6	104,0
Interest expectations	97,0	101,6	106,3	107,5	106,7	109,5
Business expectations	80,6	73,4	74,8	76,9	77,5	81,0
Income expectations	99,4	96,3	97,7	98,2	99,5	100,7

Source: Metzler Research, HDE

Also, willingness to purchase fashion in Germany has increased in April according to infas-quo. 48% of surveyed individuals plan to spend discretionary income on fashion in the next four weeks. Comparably high levels to purchase fashion were last seen in July 2023. This represents a 4ppt increase over the reading in March and 6ppt vs. February. However, we note that offline retail is likely to benefit to a larger degree than online as the proportion of those who wish to go shopping physically increased by 2ppt to 22%, while those planning to buy online contracted by 2ppt to 16% vs. March.

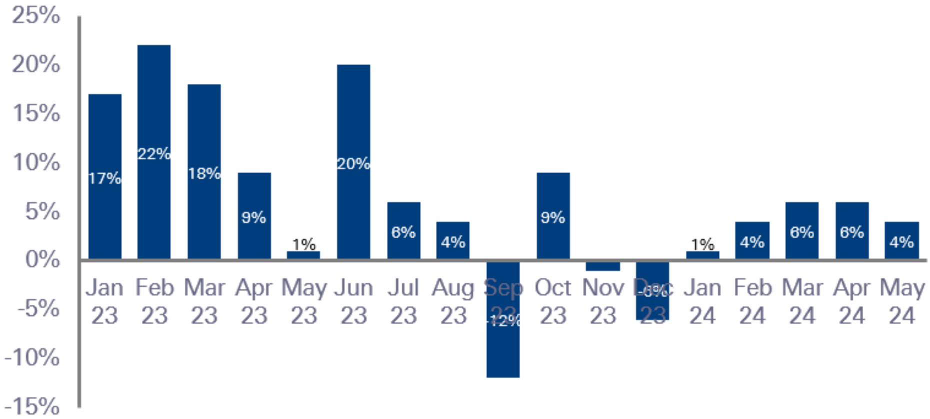
Infas-quo April 2024: Heterogenous Fashion-Shopping Behaviour



Source: Metzler Research, infas-quo

Finally, Textilwirtschaft data suggests that offline retail has moved back into positive territory in the calender week 20, where fashion sales came in at +14% yoy. This was mainly attributed to the week having had one more sales day vs. last year as well as a soft comparable base of -7%. We note 70% of the POS reporting higher revenues than last year with 40% remarking an increase of 20% or more. Looking at the first three weeks of May, we now stand at +4% yoy, according to our calculations.

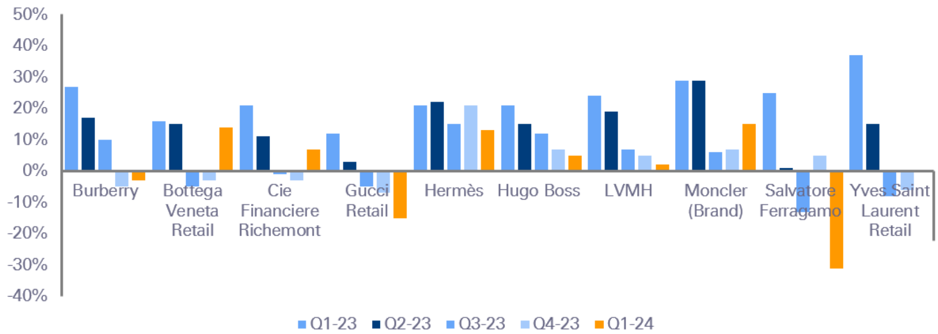
Textilwirtschaft Testklub members revenues Jan 23 - May 24 (first three weeks)



Source: Metzler Research, Textilwirtschaft

Although, we recognise the benefits of fashionette with >350 brands, >1mn active customers and presence in 14 European countries, the luxury sector is currently undergoing a phase of normalisation. In Q1/24, we estimate that the industry expanded by 2% yoy ex-FX, according to our earnings tracker. When looking specifically at Europe, the region was broadly in line with Q4 trends, but slowed on a five-year comparison. Overall in the current market environment, turnaround stories, including Kering, Burberry and Salvatore Ferragamo, underperformed and were especially dragged by the weaker wholesale environment, while high-quality names, including Hermès, performed solid. For FY24, we expect 4% growth for the luxury market, which is set to be H2 weighted. However, we believe the long-term drivers of the industry remain in tact, especially in light of Bain suggesting that digital natives (Millennials, Gen Zs and Gen Alpha) are likely to constitute the largest group of luxury buyers by 2030.

European quarterly constant currency growth rates, Q1/23-Q1/24



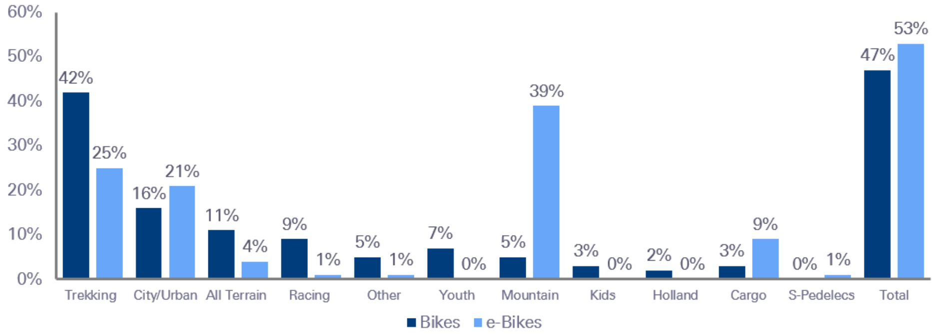
Sources: Metzler Research, company data

Freight: Bike-Angebot and Möbelfirst & Stylefy as key drivers

As a reminder, Freight Goods includes Möbelfirst, Stylefy, ViveLaCar, bike-angebot, Emco, Gem-S, Cluno and Simon Profi-Technik. We model a 12% three-year CAGR for the division (FY23-26). Note that the segment saw a c. EUR27mn one-off benefit following the car fleet sale from ViveLaCar. For FY24, we expect an additional benefit of EUR23mn in H1/24. This will not repeat in FY25. While we do acknowledge the rationale behind transforming ViveLaCar into a leasing business model, we are mindful of the soft results from Sixt (covered by Stephan Bauer; Buy, PT: EUR114) and Hertz in the last earnings season, thus we are more cautious here.

To us, bike-angebot is one of the key growth drivers going forward. First, e-bikes now constitute 53% of the German market with the highest proportion found with Mountainbikes, Trekking and Urban, according to Statista. Second, the German e-bike industry benefited from rising prices in FY23 with ASPs of EUR2,950 (vs. FY22: EUR2,800), while classic bikes had ASPs of EUR470 (vs. FY22: EUR500). Third, in addition to buying new bikes, consumers are increasingly willing to purchase a second or third one, for example for leisure, sports or transport according to the Bicycle Association ZIV. Finally, we view bicycle leasing via employers as an important driver of this development, as we estimate that 20% of e-bikes in Germany are leased via such an agreement from which especially specialist retailers benefit from.

Bicycles market in Germany, FY23



Source: Metzler Research, Statista

Also, in light of the relatively low online penetration rates in home / furniture, which currently stand at 18% in Germany, we see positive momentum for Möbelfirst and Stylefy. In the medium term, we also expect TPG to increase the number of available items through additional partners, including high-priced individual items at Möbelfirst and connection to additional furniture store chains at Stylefy, but also expansion of product offering in complementary sub-categories such as outdoor furniture. Within the industry, we are also seeing constructive momentum at Westwing (Not rated), which delivered +6% sales and GMV growth in Q1/24.

Industrial: Gindumac & BevMaq a credible alternative in light of long lead times for new equipment

TPG's industrial division is made up of Lott Autoteile, Dentatec, The Cube Club, Gindumac, MPF and BevMaq. Here, we model a yo3y CAGR (2023-2026) of 20%. Broken down, we anticipate the number of dealers at Gindumac to expand to >200 by FY26, which is set to double the product assortment. Furthermore, we see upside potential through the entry into adjacent categories including wood processing machines and industrial packaging. In light of the new filling machines having lead times spanning six months to one and a half years, Bevmaq signifies an attractive alternative by offering used equipment. Here, the number of partners is projected to increase to >100 and the number of items is estimated to hit 1,300 in the medium term. Favourably, MPF usually purchases used machinery at favourable conditions (up to 40% discount). Finally, Lott Autoteile's expansion will be driven by additional partners to >100 by FY26. We estimate the contribution of DentaTec and The Cube Club at LSD% to the overall segment.

Service & Retail: Digitalisation of the healthcare space in Germany as catalyst

Service & Retail comprises Aponow & DocGreen, teech, Klick A, Value Property Platform and ten retail stores owned by TPG. We model a yo3y CAGR (2023-26) of 8%. Within this segment, we are encouraged by Aponow & DocGreen in light of the deteriorating pharmacy density in Germany, which reduces accessibility to pharmaceuticals, in our view. Note that according to a regression analysis conducted by the Institute for Health and Social Research (IGES), there is a strong positive correlation of 0.988 between population density and the number of pharmacies regarding supply of pharmaceuticals. As a reminder, when examining the density of pharmacies, Germany ranks in the bottom third in the EU with 21 pharmacies per 100.000 inhabitants. The EU average stands at 32 pharmacies per 100.000 inhabitants. An analysis by data scientist Dr. Lagodny from December 2023 showed that there is an on-going dilution of the pharmacy landscape in Germany. Back in 2016, 4,241 of the 8,171 inhabited zip code areas were already below the average (to the time of analysis) of 22 pharmacies per 100,000 inhabitants. In December 2023, this figure moved up to 4,954, implying a 17% increase. Hence, his findings suggest that just over 60% of zip code areas in Germany were below the nation-wide average of 22 pharmacies per 100,000 inhabitants at the end of last year. Statistically speaking, this means that the distribution curve has shifted to the left. In our view, due to the demographic structure in Germany with an ageing population, those dependent on care are especially affected; 1.2mn senior citizens aged 65 or above will not have a pharmacy in their post-code area by 2030 according to Lagodny's estimates. Therefore, the importance of having medications delivered will continue to grow. in our view.

Pharmacy density in Germany

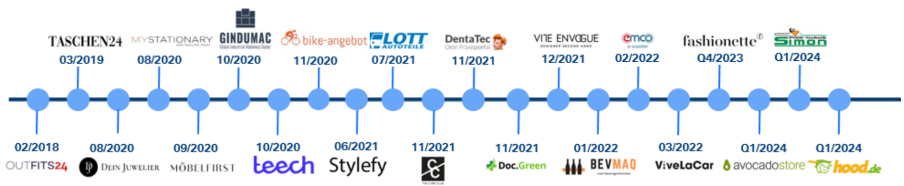
Indicator	Value
Density of pharmacies in Germany (per 100,000 inhabitants)	**21**
Total number of zip codes in Germany	**8.171**
of which pharmacy density below 22 (per 100,000 inhabitants)	4.954
In % of total zip codes	61%
of which no pharmacy at all	2.138
% of total zip codes	26%
Total number of Germans living in a zip code without a pharmacy	**4.9mn**
of which in rural areas	2.9mn

Source: Metzler Research, El Pato Medien

Acquisitions

TPG has performed over 20 acquisitions since 2018 and thus operates in 20 different sectors. Going forward, TPG wishes to acquire 3-8 platforms per year and expand into 30 industries by FY25. With respect to geographic reach, we would not rule out an expansion beyond Germany. We have been given to understand that footprint could be extended to France and Italy in the near term, while the US as well as India are seen as options for the long-run. Moreover, we would not rule out a take-over offer for Mister Spex.

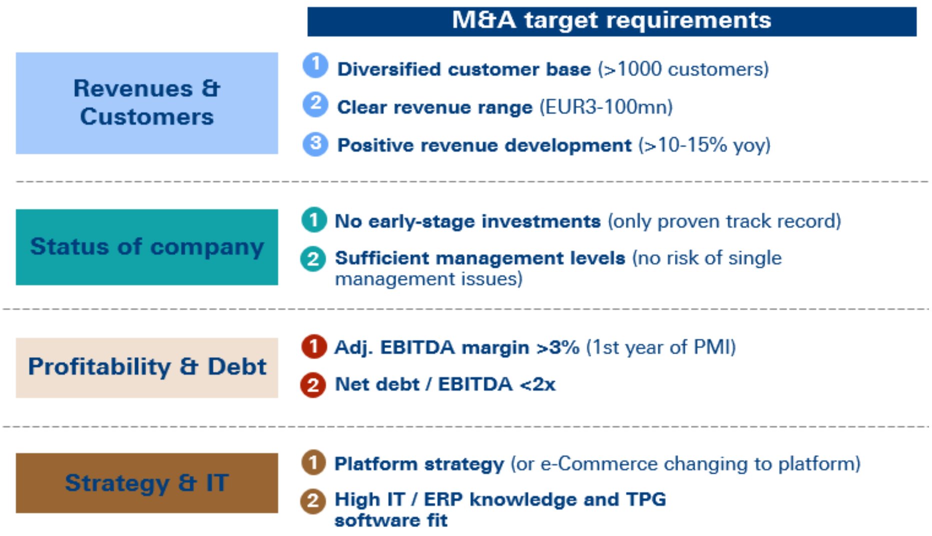
Acquisition history of TPG



Source: Metzler Research

From a financial perspective, TPG's M&A strategy focuses on four main pillars. First, in terms of revenue, the target must have a diversified customer base of >1,000 clients, generate EUR3-100mn in sales and post >10-15% yoy growth. Second, we especially appreciate the fact that TPG does not undertake early stage investment, but prefers platforms with a proven track record. Third, looking at margins, a net debt / EBITDA of below 2x and an adj. EBITDA margin of >3% is required. Fourth, and most obvious, the potential target must follow a platform strategy (or e-Commerce with change to platform strategy) coupled with IT / ERP knowledge. Importantly, we are also mindful that TPG keeps the executive directors of a potential target on board for a minimum of three years. Putting all this together, while also considering TPG's asset-light and scalable business model, we view the company well positioned to expand via M&A and exploit synergetic potential on both top-line as well as costs.

TPG M&A target requirements



Source: Metzler Research based on TPG

Adj. EBITDA

Below we outline the drivers for our adj. EBITDA estimates for FY24-FY26E.

Personnel cost

Personnel costs are constituted by wages & salaries (70% of total cost) and social security contributions (30% of total cost). While we model personnel costs to rise by 3% per annum, on average, between FY24-FY26E in absolute terms, we are mindful of potential scaling effects. On the one hand, we estimate personnel expenses to account for a LSD% of sales in Consumer Goods. In our view, the low complexity of product handling leaves room for incremental automation benefits. On the other, we assume both salaries & wages and social security contributions to represents a HSD% to low teens % proportion of sales in Freight and Industrial Goods. Here, we expect an increase in the platform share to drive efficiencies. Measured against net sales, personnel expenses accounted for 5% in FY23, which we see falling to 4.8% by FY26.

Distribution costs

Distribution expenses are made up of freight & logistics (69% of total cost), delivery (13% of total cost) and payment fees (18% of total cost). Although we do see scaling potential in Consumer Goods through the integration of fashionette, freight expenses represent the largest cost line item in Industrial Goods, which we believe stand at HSD% of sales. We have been given to understand that a logistics agreement at Gindumac is set to expire in FY24, thus we anticipate higher costs going forward. Furthermore, we see limited scaling potential at Lott's high-volume small parts business and the remaining businesses, including ViveLaCar, Cluno, GEM-S, Emco. The same goes for Freight Goods, where distribution costs are mainly driven by the furniture retail platforms (i.e. Möbelfirst), as the majority of the freight costs are due to delivery costs. In light of the Drewy World Container Index having risen >100% yoy, now trading at USD4,226 (vs. June 1, 2023: USD1,682), we factor in higher logistics costs for the coming years, which we see rising to 8.4% of sales by FY26 (vs. FY23: 8.1%).

Marketing costs

Marketing includes performance marketing (85% of total cost), shop marketing (8% of total cost) and other marketing (6% of total cost). To our understanding, marketing costs in Consumer Goods depend on the sales channel. At Amazon, for example, the commission fee is between 8-12%. Moreover, we have observed a 5% ad auction price increase at Google, which we expect TPG will not be immune to given its focus on search engine optimisation (SEO) and performance marketing to drive top-line. As a result, we expect the cost ratio to further expand going forward. In Freight Goods, the picture is slightly distorted following the sale of the car fleet. However, we also expect marketing spent to pick up here, notably driven by bike-angebot. We see opportunities for scale efficiencies with Industrial Goods on the back of a higher B2B share. Compared to FY23, where we saw a cost ratio of 6.5% to sales, we model marketing costs slightly rising, as a % of sales, to 6.7% by FY26.

Valuation

Valuation

We initiate coverage on TPG with a Buy rating and price target of EUR13.

DCF valuation derives fair value of EUR13

Our DCF includes three stages. Within our model, the first stage (FY24-FY26E) incorporates our detailed forecasts, while the second phase (FY27-FY30E) accounts for the transition period. The final pillar is represented by our terminal value calculation. Our terminal growth rate is 2%.

Model assumptions

Sales growth: We view 1) under-penetration of e-Commerce in certain sectors (i.e. furnitute and DIY), 2) growth of partners on TPG's platform (i.e. networking effect), 3) M&A and 4) favourable mid to long-term socio-demographic developments with respect to luxury spending (i.e. Millennials, Gen Z and Alpha to account for largest expenditure by 2030) as the main top-line drivers.

EBITDA: We assume on-going margin progression at TPG. While we expect the company to face headwinds with respect to higher marketing and freight expenses, which will weigh on profitability in the short-term, we see opportunities to capitalise on automation (Consumer Goods) and scaling efficiencies (Freight & Industrial Goods) to drive improvements in personnel expenses measured as a % of sales.

WACC: Our WACC comes in at 9.6% and is based on the following parameters: 1) risk-free rate of 2.0%, 2) market risk premium of 7.0% and c) a beta of 1.3. The cost of equity amounts to 11.4%, while the pre-tax cost of debt is 5.0%.

DCF valuation The Platform Group AG

	FY24e	FY25e	FY26e	FY27e	FY28e	FY29e	FY30e	TV-year
Revenue (in EURm)	493	529	565	596	622	645	665	679
% change yoy	14,1%	7,4%	6,6%	5,5%	4,5%	3,7%	3,1%	2,0%
EBIT (in EURm)	36	42	47	51	54	57	60	61
Margin (in %)	7,4%	7,9%	8,3%	8,5%	8,7%	8,9%	9,0%	9,0%
Adjusted Taxes (in EURm)	-11	-12	-14	-15	-16	-17	-18	-18
Tax rate (in %)	-30,0%	-30,0%	-30,0%	-30,0%	-30,0%	-30,0%	-30,0%	-30,0%
NOPLAT	25	29	33	35	38	40	42	43
D&A (in EURm)	10	11	11	12	12	13	13	14
in % of sales	2,0%	2,0%	2,0%	2,0%	2,0%	2,0%	2,0%	2,0%
Less: Maintenance Capex (in EURm)	-15	-16	-17	-21	-22	-23	-23	-24
in % of sales	-3,0%	-3,0%	-3,0%	-3,5%	-3,5%	-3,5%	-3,5%	-3,5%
Less: Investment Capex (in EURm)	-15	-16	-17	-18	-19	-19	-20	-20
in % of sales	-3,0%	-3,0%	-3,0%	-3,0%	-3,0%	-3,0%	-3,0%	-3,0%
Less: Change in NWC (in EURm)	0	-4	-5	-24	-25	-26	-27	-20
Free cash flow	6	12	15	32	35	37	39	33
Present value FCF (in EURm)	5	11	12	23	23	22	21	16

Implied equity value and fair value per share	
Enterprise value (in EURm)	330
Less: Net debt (in EURm)	-61
Less: Minorities (in EURm)	-1
Less: Pension provisions (in EURm)	-3
Equity value (in EURm)	264
# of outstanding shares	20
Fair value share price (in EUR)	13

WACC Assumptions	
Beta	1,3
Risk-free rate	2%
Market risk premium	7%
% share of Equity	64%
% share of Debt	36%
Cost of Equity / Debt	11.4% / 5%
WACC	9,6%

Sources: Metzler Research

Our DCF model is sensitive to our selected input factors. Hence, we provide a sensitivity analysis of our estimated fair value vs. the terminal growth rate and our terminal EBITDA margin:

Sensitivity analysis

In EUR

Terminal EBITDA margin	Terminal growth rate: 0,0%	1,0%	2,0%	3,0%	4,0%
9,0%	8	9	10	11	12
10,0%	9	10	11	13	15
11,0%	11	12	13	14	17
12,0%	12	13	14	16	19
13,0%	13	14	16	18	21

Sources: Metzler Research

We don't see TPG's valuation as demanding....

Our selected peers include pure play fashion e-tailers (incl. Zalando), e-Commerce platforms (i.e. Amazon) but also serial acquirers (i.e. Addnode, Jack Henry and Lifco) given that acquisitions constitute a core part of TPG's strategy. In our view, accounting for this variability of peers ensures a more credible comparison. On a 2yr fwd P/E TPG is trading at a 45% discount vs. peers.

Peer group analysis

Company	Ticker	Rating	FX	Price	Market Cap (in m)	EV/Sales CY24	EV/Sales CY25	P/E CY24	P/E CY25
AddLife AB	ALIFB SS	Not rated	SEK	114,4	1.227	1,8x	1,7x	27,8x	20,3x
Addnode Group AB	ANODB SS	Not rated	SEK	121,2	16.305	1,9x	1,9x	27,9x	25,2x
AO World PLC	AO/ LN	Not rated	GBp	1,1	764	0,6x	0,6x	21,5x	19,4x
Amazon.com Inc	AMZN US	Not rated	USD	176,4	1.692.144	2,8x	2,6x	29,9x	24,8x
Berner Industrier AB	BERNERB	Not rated	SEK	38,0	62	0,9x	0,8x	14,9x	12,6x
Indutrade AB	INDT SS	Not rated	SEK	270,4	8.627	3,3x	3,1x	28,6x	26,0x
Jack Henry & Associates	JKHY	Not rated	USD	164,7	11.064	5,2x	4,9x	28,9x	26,5x
Lifco AB	LIFCOB SS	Not rated	SEK	277,8	11.050	5,1x	4,8x	32,9x	29,7x
Zalando SE	ZAL GY	Buy	EUR	24,3	6.397	0,5x	0,5x	25,4x	19,1x
Mean	-	-	-	-	-	2,5x	2,4x	26,4x	22,6x
Median	-	-	-	-	-	2,4x	2,2x	27,9x	24,8x
Platform Group AG	TPG GY	Buy	EUR	9,6	191	0,7x	0,7x	11,4x	11,1x

* As of 5:45pm ** Calculation based on LTM sales and 24m fwd sales

Source: Bloomberg, Metzler Research

... especially in light of ongoing positive earnings revision

We see further room for positive earnings revision: we sit well ahead of BBG consensus on FY24 earnings and for the outer years. Note, reported EBITDA deviations are likely to be the result of different assumptions regarding PPA effects, which in turn effects net income and EPS.

Metzler estimates vs. consensus

	M'e (in EURmn)			Consensus (in EURmn)			M'e vs. Cons.		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Net Sales	493	529	565	480	520	564	3%	2%	0%
% growth	*14,1%*	*7,4%*	*6,6%*	*11,1%*	*8,4%*	*8,5%*			
EBITDA (reported)	46	52	58	33	32	37	41%	65%	58%
EBITDA margin	*9,4%*	*9,9%*	*10,3%*	*6,9%*	*6,1%*	*6,5%*			
Net income	22	27	30	16	15	16	34%	77%	84%
EPS (€)	1,08	1,34	1,53	0,88	0,77	0,97	23%	74%	58%

Source: Metzler Research, Bloomberg

Risks

Luxury is entering a normalisation phase - especially in Europe: In Q1/24, we estimate that the industry expanded by 2% yoy ex-FX, according to our earnings tracker. When looking specifically at Europe, the region was broadly in line with Q4 trends, but slowed on a five-year comparison. Overall in the current market environment, turnaround stories, including Kering, Burberry and Salvatore Ferragamo, underperformed and were especially dragged by the weaker wholesale environment, while high-quality names, including Hermès, performed solid. We expect a back-end loaded year for the sector.

Limited track record limited so far: TPG has been trading on the stock exchange since December 2023. Although the company has delivered strong results over the past couple of months, including a guidance increase for FY24 with its Q1/24 results last Wednesday, its track record remains limited so far.

Personnel cost inflation: Key pillars for profitability expansion, according to our modelling, are improvements with respect to automation and scaling benefits regarding personnel expenses. Should these not materialise, this could imply downside risk to our reported EBITDA estimates, as we expect both distribution and marketing costs to rise in the coming years both in absolute terms and as a % of sales.

Debt: TPG has a net debt / EBITDA of 2.65x (excl. IFRS 16 liabilities) and 3.0x (incl. IFRS 16 liabilities), according to our calculations. While TPG has demonstrated its cash generating capabilities, we view a reduction of its current leverage ratio as critical. By FY25, TPG wishes to improve its net debt / EBITDA ratio (incl. IFRS16 liabilities) to a 1.5-2.3x.

Appendix

History

Origins of The Platform Group go back to 1882, where an ancestor of current CEO Dr. Dominik Benner founded a shoe and grocery store in Hofheim am Taunus. Over four generations, the family business grew with a series of branches across the Rhine-Main area. After entering the company in fifth generation during 2012 as CEO, Dr. Dominik Benner started the strategic re-orientation of the company by connecting the existing shoe retail businesses to online platforms, including Amazon and eBay. One year later, Schuhe24.de, a proprietary platform was created, which ensured that pure-play offline shoe retailers were capable of additionally selling their stock online. Since 2018, 22 platforms were created, acquired or build majority stakes from different industries including fashion, sporting goods, machinery and furniture in both B2C as well as B2B. In 2021 the company was rebranded as The Platform Group, while celebrating its 140th anniversary in 2022.

Management

Dr. Dominik Benner, Chief Executive Officer (CEO): After studying business administration at the University of St. Gallen and Insead, Dr. Benner obtained his Dr.oec. HSG in 2009. Following a series of management positions at Bilfinger Berger, he was appointed Managing Director at juwi Group in 2011 before joining the family business 'Schuh Benner' in 2012 as CEO. One year later, Dr. Benner founded Benner Holding GmbH, where he serves as Managing Director. By 2014, he became sole limited partner at Benner Holding GmbH and general partner of Schuh Benner GmbH & Co. KG, which was later renamed into The Platform Group GmbH & Co. KG.

Laura Vogelsang, Member of the Management Board: Following both a B.Sc. and M.Sc. in business administration from the Ruhr University of Bochum and Technical University of Chemnitz, respectively, Mrs. Vogelsang started her career at Vodafone, where she led the Risk & Fraud Management Online Team. Mrs. Vogelsang then built up the Risk & Payment Team at fashionette from 2018 after which she became Head of HR. By 2023, Mrs. Vogelsang became Director People & Office Management, while also serving as a member of the Management Board at fashionette AG since May 2023.

Reinhard A. Hetkamp (CFO): Mr. Hetkamp started his career at international audit and tax consulting firms after obtaining a degree in business administration & law from the Westfälische Wilhelms University of Münster. His responsibilities included the preparation of national and international financial statements, internal & external reporting, tax consulting along with controlling. Since August 2023, Mr. Hetkamp has been acting CFO for fashionette AG.

B2C Platforms

Avocadostore: Avocadostore is an online marketplace for eco-fashion and green lifestyle founded in 2010 with now 6,000 brands, which offers products including vegan jeans, lamps made from recycled fire extinguishers or biodegradable to-go cups in Germany as well as Austria.

Bike Angebot: Bike Angebot represents Germany's largest online bike store with over 30 brands, including Cube, KTM and Trek. Its product assortment encompasses a selection of e-bikes, pedelecs and mountain bikes. After becoming established in 2011, Bike Angebot now works with over 1,100 retailers in Germany, Austria and Switzerland.

Brandfield: Brandfield is a fashion e-tailer, which offers >10,000 products spanning from Watches to Handbags.

Dein Juwelier: Founded in 2020, Dein Juwelier specialises in Jewellery and Watches. Customers in Germany, Austria and Switzerland can choose from over 30 different brands, such as Thomas Sabo and Pandora, and more than 20 retailers.

Doc.Green & ApoNow: Doc.Green & ApoNow offer both order and delivery of medications. Customers receive their order hand-delivered on the same day.

Envogue: Envogue is a second-hand fashion e-commerce company created in 2020, whose assortment spans >1,200 brands, such as Prada, Louis Vuitton, Gucci and Chanel, in France.

fashionette: After its launch in 2008, fashionette, a Düsseldorf-based company, has been offering luxury fashion from >300 brands, including Gucci, Prada, Versace and MCM.

Hood.de: Hood.de is an e-Commerce platform for selling a wide variety of goods from office supplies to books founded in 1999.

Lott Autoteile: Lott Autoteile is an automotive e-Commerce platform founded in 1987, which offers and ships spare parts, consumables and accessories from >100 brands, such as Sachs, Zimmermann and Luk.

MotorProfi: Founded in 1991, MotorProfi offers products from garden and forestry retail. Any certified specialist motorist dealer can participate on the platform. As of now, there are 100 partners and >50 brands that serve the German & French market.

Möbelfirst: Möbelfirst was established in 2016 and focuses on high-end furniture. Customers in Germany, France, Holland and Switzerland can purchase 1,500 different brands, including Lambert, Rolf Benz and Knoll, from >200 partners.

MyStationary: MyStationary specialises in small, high-end fashion boutiques by offering >100 brands, such as DSIDE, The Spirt of OM and PME Legend, from 40 different retailers to clientele in Germany, France, Italy, Belgium, the Netherlands, Poland and Czech Republic.

Outfits24: Outfits24 was launched in 2019 and has ever since accumulated over 1,500 partners in Germany, France, Austria, Belgium, Italy, the Netherlands, Poland and Czech Republic, which offer roughly 1,200 brands, including Pierre Cardin, Tommy Hilfiger and Marc O'Polo.

Schuhe24: Schuhe24 represents the first proprietary platform developed under Dr. Dominik Benner as CEO back in 2013. With over 2,000 partners in Germany and France, across 50 channels, shoes from c. 1,500 brands, such as Bugatti, Gabor and Birkenstock, are made available.

Stylefy: Stylefy is an e-Commerce platform created in 2012, which sells furniture in Germany, France and other European countries. Its assortment comprises >15,000 products and >100 brands.

Taschen24: Taschen24 signifies a platform specialising in bags, bag-packs and other accessories. Founded in 2018, it connects more than 50 retailers that offer 1,500 brands, including adidas (Buy, PT: EUR270), Joop! and Guess.

ViveLaCar: ViveLaCar has been part of Platform Group since 2022 and offers car subscriptions. In terms of service, customers can select from several brands and models with a minimum term of six months.

99kitchens: The Berlin-headquartered kitchen appliance business 99kitchens specialises in equipment associated with cooking, washing, drying and cooling.

B2B Platforms

The Brand Show.tv: The Brand Show.tv is one of the leading B2B online trade shows for contemporary and sustainable fashion.

BEVMAQ: Bevmaq is an online marketplace for beverage machinery created in 2021. Effectively, the platform purchases and sells used equipment from a wide range of manufacturers, while also offering customer services.

The Cube Club: The Cube Club constitutes three components; The Cube, The Cube App and The Cube Shop through which hair salons digitise their inventory management and orders.

DentaTec: DentaTec is one of the largest German dental retail platforms with >3,000 dental items spanning dental equipment, consumables, laboratory supplies and furnishings.

Emco: Emco is Germany's largest supplier of e-scooters with models from 1,000 to 3,000 watts, top speeds of 25 to 45km/h and ranges of up to 130km.

Gindumac: Gindumac acts as a machinery e-tailer, which was established in 2017. In terms of products, focus lies on machine tools, sheet metalworking & injection moulding machines, automation equipment and spare parts. With respect to services, financing models such as 120-day payment targets are offered, along with full-service logistics, including preparation, loading, transport and installation.

Teech: Founded back in 2010, Teech signifies a learning platform connecting learners and teachers virtually.

Balance sheet

(in EUR m)	2021	%	2022	%	2023	%	2024e	%	2025e	%	2026e	%
Assets	96	n.a.	84	-12.7	284	237.7	303	6.5	334	10.3	373	11.7
Fixed assets	**23**	**n.a.**	**55**	**142.6**	**120**	**117.4**	**144**	**19.7**	**169**	**17.5**	**196**	**15.7**
Intangible fixed assets	18	n.a.	30	69.7	108	255.3	126	17.0	145	15.2	165	13.7
Goodwill	11	n.a.	16	44.7	44	167.0	51	17.0	59	15.2	67	13.7
Other intangible assets	7	n.a.	14	113.2	64	359.0	75	17.0	86	15.2	98	13.7
Tangible assets	5	n.a.	10	110.3	10	1.1	15	55.8	21	39.9	28	31.7
Technical plant and equipment	5	n.a.	10	110.3	10	1.1	15	55.8	21	39.9	28	31.7
Financial assets	0	n.a.	15	n.m.	3	-82.5	3	0.0	3	0.0	3	0.0
Other financial assets	0	n.a.	15	n.m.	3	-82.5	3	0.0	3	0.0	3	0.0
Current assets	**74**	**n.a.**	**29**	**-60.7**	**164**	**467.8**	**159**	**-3.2**	**165**	**3.8**	**177**	**7.5**
Inventories	44	n.a.	13	-69.7	92	589.0	74	-20.2	54	-26.6	36	-32.6
Receivables and other assets	22	n.a.	11	-48.9	64	467.0	78	22.0	106	35.1	136	28.6
Cash and cash items	7	n.a.	4	-41.9	8	82.1	7	-9.4	5	-27.2	5	-4.1
Deferred taxes	0	n.a.	0	n.a.	0	n.a.	0	n.a.	0	n.a.	0	n.a.
Shareholders' equity and liabilities	96	n.a.	84	-12.7	284	237.7	303	6.5	334	10.3	373	11.7
Shareholders' equity	**51**	**n.a.**	**47**	**-7.7**	**82**	**73.1**	**104**	**28.0**	**132**	**26.5**	**163**	**23.7**
Subscribed capital	6	n.a.	0	-100.0	18	n.m.	23	26.4	28	25.8	35	23.4
Reserves	45	n.a.	45	1.1	64	40.6	81	26.4	101	25.8	125	23.4
Minority interests	0	n.a.	2	n.a.	0	-100.0	1	n.a.	2	84.6	3	41.7
Outside capital	**45**	**n.a.**	**37**	**-18.3**	**203**	**447.4**	**198**	**-2.2**	**202**	**1.8**	**209**	**3.8**
Liabilities	45	n.a.	35	-22.0	200	469.0	195	-2.4	198	1.7	206	3.7
Financial debt	16	n.a.	24	53.3	76	213.0	76	0.0	76	0.0	76	0.0
Accounts payable, trade	27	n.a.	8	-70.5	109	n.m.	101	-7.1	103	1.9	109	6.0
Other liabilities	2	n.a.	3	40.8	15	425.4	18	20.6	19	7.4	20	6.6
Deferred taxes liabilities	0	n.a.	0	n.a.	0	n.a.	0	n.a.	0	n.a.	0	n.a.
Balance sheet total	96	n.a.	84	-12.7	284	237.7	303	6.5	334	10.3	373	11.7

Sources: Bloomberg, Metzler Research

Profit & loss account

(in EUR m)	2021	%	2022	%	2023	%	2024e	%	2025e	%	2026e	%
Sales	134	n.a.	172	28.5	464	170.1	493	6.2	529	7.4	565	6.6
Cost of sales	82	n.a.	124	50.4	318	157.2	336	5.5	359	6.8	380	6.0
Gross profit on sales	**51**	**n.a.**	**48**	**-6.5**	**146**	**203.2**	**157**	**7.6**	**170**	**8.6**	**184**	**8.1**
Other operating income	0	n.a.	0	n.a.	0	n.a.	0	n.a.	0	n.a.	0	n.a.
Selling expenses	42	n.a.	16	-61.8	63	289.4	73	15.6	79	8.1	85	7.9
General administrative expenses	10	n.a.	11	14.0	22	91.8	25	17.5	26	2.9	27	3.8
Other operating expenses	-2	n.a.	7	366.7	14	120.3	12	-13.9	13	7.4	14	6.6
EBIT	-1	n.a.	9	n.m.	39	326.7	36	-6.5	42	14.5	47	11.9
Financial result	-1	n.a.	-0	78.9	-6	n.m.	-4	40.8	-2	45.6	-2	9.0
Income from investments	0	n.a.	0	n.m.	0	-98.5	0	0.0	0	279.1	0	-17.4
Interest income (net)	-1	n.a.	-1	49.0	-6	-773.8	-4	40.7	-2	45.0	-2	9.1
Other financial result	0	n.a.	0	n.a.	0	n.a.	0	n.a.	0	n.a.	0	n.a.
Result of ordinary activities	**-2**	**n.a.**	**9**	**555.5**	**32**	**268.5**	**33**	**0.3**	**40**	**21.5**	**45**	**13.0**
EBT	-2	n.a.	9	555.5	32	268.5	33	0.3	40	21.5	45	13.0
Taxes on income	-0	n.a.	1	447.3	-0	-144.0	10	n.m.	12	21.4	13	13.0
Tax rate (%)	12.2	n.a.	9.3	-23.8	-1.1	-112.0	30.0	n.m.	30.0	-0.1	30.0	0.0
Net income	-2	n.a.	8	570.6	33	311.0	23	-30.6	28	21.5	31	13.0
Minority interests	0	n.a.	1	n.a.	1	-24.4	1	37.6	1	-15.4	1	-9.1
Minority rate (%)	0.0	n.a.	15.6	n.a.	2.9	-81.6	5.7	98.2	4.0	-30.4	3.2	-19.5
Net Income after minorities	-2	n.a.	7	497.0	32	373.1	22	-32.6	27	23.7	30	13.9
Transfers to retained earnings (re-serves)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Unappropriated consolidated net income	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Adjustment calculation												
Net Income after minorities	-2	n.a.	7	497.0	32	373.1	22	-32.6	27	23.7	30	13.9
Adjustments of net income	n.a.	n.a.	n.a.	n.a.	-6	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Adjustment rate (%)	0.0	n.a.	0.0	n.a.	-20.0	n.a.	0.0	100.0	0.0	n.a.	0.0	n.a.
Adj. net income after minorities	-2	n.a.	7	497.0	26	278.5	22	-15.7	27	23.7	30	13.9
Number of shares outstanding	6	n.a.	6	-0.8	17	180.9	20	15.1	20	0.0	20	0.0
EPS (EUR)	-0.27	n.a.	1.10	500.3	1.85	68.4	1.08	-41.4	1.34	23.7	1.53	13.9
EPS adj. (EUR)	-0.27	n.a.	1.10	500.3	1.48	34.8	1.08	-26.8	1.34	23.7	1.53	13.9

Sources: Bloomberg, Metzler Research

Cash flow/ratios/valuation

	2021	%	2022	%	2023	%	2024e	%	2025e	%	2026e	%
Cash Flow/ Net Debt (in EUR m)												
Gross Cash Flow	1	n.a.	-2	-260.8	22	n.m.	33	47.8	38	17.1	43	11.2
Increase in working capital	-15	n.a.	4	127.0	82	n.m.	0	-99.8	-4	n.m.	-5	-11.7
Capital expenditures	-18	n.a.	-1	n.a.	-75	n.a.	-30	n.a.	-32	n.a.	-34	n.a.
D+A/Capex (%)	-11.5	n.a.	-471.0	n.a.	-10.5	n.a.	-33.3	n.a.	-33.3	n.a.	-33.3	n.a.
Free cash flow (Metzler definition)	-2	n.a.	-7	-339.4	-135	n.m.	3	102.2	11	269.5	14	24.7
Free cash flow yield (%)	-1.2	n.a.	-26.4	n.a.	-126.5	n.a.	1.5	n.a.	5.7	n.a.	7.1	n.a.
Dividend paid	0	n.a.	0	n.a.	0	n.a.	0	n.a.	0	n.a.	0	n.a.
Free cash flow (post dividend)	-2	n.a.	-7	-339.4	-135	n.m.	3	102.2	11	269.5	14	24.7
Net Debt incl. Provisions	9	n.a.	22	144.3	72	224.0	73	1.5	75	2.9	75	0.6
Gearing (%)	17.7	n.a.	46.8	n.a.	87.6	n.a.	69.5	n.a.	56.5	n.a.	46.0	n.a.
Net debt/EBITDA	5.7	n.a.	1.6	n.a.	1.5	n.a.	1.6	n.a.	1.4	n.a.	1.3	n.a.
Ratios (in %)												
Liquidity												
Quick ratio	108.2	n.a.	193.7	n.a.	65.9	n.a.	84.2	n.a.	107.4	n.a.	128.8	n.a.
Current ratio	271.3	n.a.	361.1	n.a.	150.6	n.a.	156.9	n.a.	159.8	n.a.	162.2	n.a.
Pay-out ratio	0.0	n.a.	0.0	n.a.	0.0	n.a.	0.0	n.a.	0.0	n.a.	0.0	n.a.
Balance sheet structure												
Equity/total assets	53.0	n.a.	56.0	n.a.	28.7	n.a.	34.5	n.a.	39.6	n.a.	43.8	n.a.
Equity to fixed assets	224.1	n.a.	82.0	n.a.	67.9	n.a.	71.7	n.a.	76.8	n.a.	81.8	n.a.
Long-term capital to total assets	69.4	n.a.	84.9	n.a.	55.5	n.a.	59.6	n.a.	62.4	n.a.	64.2	n.a.
Long-term capital to fixed assets and inventories	99.8	n.a.	104.1	n.a.	74.2	n.a.	83.0	n.a.	93.4	n.a.	103.3	n.a.
Liabilities to equity (leverage)	88.1	n.a.	74.4	n.a.	244.7	n.a.	186.7	n.a.	150.0	n.a.	125.8	n.a.
Profitability/efficiency												
Working capital to sales	25.9	n.a.	9.7	n.a.	8.2	n.a.	8.1	n.a.	8.5	n.a.	9.0	n.a.
EBIT margin	-0.4	n.a.	5.3	n.a.	8.4	n.a.	7.4	n.a.	7.9	n.a.	8.3	n.a.
EBITDA margin	1.2	n.a.	8.2	n.a.	10.1	n.a.	9.4	n.a.	9.9	n.a.	10.3	n.a.
Net ROS	-1.3	n.a.	3.9	n.a.	6.9	n.a.	4.4	n.a.	5.0	n.a.	5.4	n.a.
Cash flow margin	0.9	n.a.	-1.1	n.a.	4.8	n.a.	6.6	n.a.	7.2	n.a.	7.5	n.a.
ROE (after Tax/Min.)	-6.7	n.a.	14.0	n.a.	50.3	n.a.	23.3	n.a.	22.9	n.a.	20.9	n.a.
Productivity												
Average number of employees ('000)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Sales per employee (EUR '000)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
EBIT per employee (EUR '000)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Valuation												
PER adj.	-80.3	n.a.	4.0	n.a.	4.2	n.a.	9.0	n.a.	7.3	n.a.	6.4	n.a.
PBV	2.7	n.a.	0.6	n.a.	1.3	n.a.	1.9	n.a.	1.5	n.a.	1.2	n.a.
EV/EBITDA	91.6	n.a.	3.5	n.a.	3.8	n.a.	5.8	n.a.	5.1	n.a.	4.6	n.a.
EV/EBIT	-285.2	n.a.	5.4	n.a.	4.6	n.a.	7.3	n.a.	6.4	n.a.	5.8	n.a.
Dividend yield (%)	0.0	n.a.	0.0	n.a.	0.0	n.a.	0.0	n.a.	0.0	n.a.	0.0	n.a.

Sources: Bloomberg, Metzler Research

Disclosures

Recommendation history

Recommendations for each financial instrument or issuer - mentioned in this document - published by Metzler in the past twelve months

Date of dissemination	Metzler recommendation * Previous	Current	Current price **	Price target *	Author ***
Issuer/Financial Instrument (ISIN): Adidas (DE000A1EWWW0)					
02.05.2024	Buy	Buy	226.40 EUR	270.00 EUR	Dennl, Felix
17.04.2024	Buy	Buy	202.50 EUR	231.00 EUR	Dennl, Felix
14.03.2024	Buy	Buy	200.15 EUR	226.00 EUR	Dennl, Felix
02.02.2024	Buy	Buy	172.46 EUR	212.00 EUR	Dennl, Felix
29.01.2024	Buy	Buy	177.86 EUR	217.00 EUR	Dennl, Felix
08.01.2024	Buy	Buy	173.48 EUR	216.00 EUR	Dennl, Felix
01.12.2023	Buy	Buy	192.14 EUR	216.00 EUR	Dennl, Felix
09.11.2023	Buy	Buy	169.62 EUR	186.00 EUR	Dennl, Felix
25.07.2023	Buy	Buy	174.80 EUR	195.00 EUR	Diedrich, Tom
13.06.2023	Buy	Buy	168.84 EUR	185.00 EUR	Diedrich, Tom
Issuer/Financial Instrument (ISIN): Sixt (DE0007231326)					
08.03.2024	Buy	Buy	87.25 EUR	114.00 EUR	Bauer, Stephan
08.11.2023	Buy	Buy	85.10 EUR	135.00 EUR	Bauer, Stephan
20.10.2023	Buy	Buy	84.50 EUR	135.00 EUR	Bauer, Stephan
12.07.2023	Buy	Buy	105.80 EUR	154.00 EUR	Bauer, Stephan
Issuer/Financial Instrument (ISIN): Zalando (DE000ZAL1111)					
08.05.2024	Buy	Buy	26.51 EUR	30.00 EUR	Dennl, Felix
15.04.2024	Buy	Buy	26.55 EUR	30.00 EUR	Dennl, Felix
15.03.2024	Buy	Buy	22.11 EUR	26.00 EUR	Dennl, Felix
29.01.2024	Buy	Buy	19.00 EUR	26.00 EUR	Dennl, Felix
09.01.2024	n.a.	Buy	19.34 EUR	26.00 EUR	Dennl, Felix

* Effective until the price target and/or investment recommendation is updated (FI/FX recommendations are valid solely at the time of publication)

** XETRA trading price at the close of the previous day unless stated otherwise herein

*** All authors are financial analysts

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