The Platform Group AG

Germany / E-Commerce
Frankfurt Stock Exchange/XETRA
Bloomberg: TPG GR
ISIN: DE000A2QEFA1

Initiation of coverage

RATING	**BUY**
PRICE TARGET	**€ 16.00**
Return Potential	111.1%
Risk Rating	High

EXPLOITING THE DISRUPTIVE POWER OF PLATFORMS

The Platform Group (TPG) owns and operates over 25 e-commerce platforms. The company has a proven track record of developing its own platforms as well as acquiring existing platforms, which it successfully integrates into its platform model. Acquisitions are streamlined and repositioned to achieve stronger growth and higher margins. Based on proprietary e-commerce software, which builds on TPG's own retail DNA, TPG commands the complete e-commerce value chain, making the company a full-service provider for e-commerce. This results in an attractive value proposition for merchants to use its platforms as a digital sales channel. We see plenty of scope for further organic growth as the market share of TPG's platforms is still low. Further acquisitions are an important second value driver, as acquisition target prices remain attractive and well below TPG's current valuation. We see TPG on a path to grow both organically and inorganically and increase margins by exploiting the network effects inherent in platform economics. A solid balance sheet and strong free cash flow generation make this intriguing investment case all the more attractive. Our DCF model suggests a significant undervaluation. We initiate coverage with a Buy rating and a €16 price target.

Strong growth and margin expansion in 2024E & 2025E Based on a strong existing business and successful acquisitions, TPG has increased guidance for the current and next year twice. For 2025E, we project revenue growth of 18% y/y to €603m and an adjusted EBITDA margin increase of 1.6 PP to 7.6%.

Attractive valuation We believe that TPG is attractively valued at 2024E EV/adjusted EBITDA of 7x. Our DCF model indicates a valuation upside of more than 100%. Acquisitions look set to remain an important value driver, as takeover targets are usually priced at ~3-5 x EBITDA, which is significantly below TPG's current valuation. Acquired EBITDA thereby receives a valuation lift.

FINANCIAL HISTORY & PROJECTIONS

	2022	2023	2024E	2025E	2026E	2027E
Revenue (€ m)	387.4	440.8	511.3	603.3	654.6	700.4
Y-o-y growth	n.a.	13.8%	16.0%	18.0%	8.5%	7.0%
Adj. EBITDA (€ m)	16.8	22.6	30.7	45.9	53.0	57.4
AEBITDA margin	4.3%	5.1%	6.0%	7.6%	8.1%	8.2%
Net income (€ m)	22.7	32.2	24.7	21.4	26.6	27.0
Adj. EPS (dil.) (€)	n.m.	0.41	0.61	1.06	1.31	1.33
DPS (€)	0.00	0.00	0.00	0.00	0.00	0.00
FCF (€ m)	24.8	52.8	-2.2	28.0	43.7	22.0
Net gearing	114.7%	85.1%	100.0%	54.6%	11.7%	-3.8%
Liquid assets (€ m)	12.1	7.6	12.3	35.3	74.0	96.0

RISKS

Main risks include: Software & IT risk, M&A risk, financing risk.

COMPANY PROFILE

The Platform Group is an owner and operator of e-commerce platforms across a broad range of sectors, operating 26 platforms in 23 different sectors. The company is headquartered in Düsseldorf, Germany, and had 794 employees as of 30 June 2024.

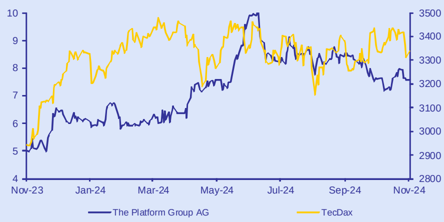
MARKET DATA

As of 11/4/2024

Closing Price	€ 7.58
Shares outstanding	20.24m
Market Capitalisation	€ 153.41m
52-week Range	€ 4.97 / 10.05
Avg. Volume (12 Months)	8,679

Multiples	2023	2024E	2025E
P/E	4.8	6.2	7.2
EV/Sales	0.5	0.4	0.4
EV/AEBITDA	9.8	7.2	4.8
Div. Yield	0.0%	0.0%	0.0%

STOCK OVERVIEW



COMPANY DATA

As of 30 Jun 2024

Liquid Assets	€ 15.07m
Current Assets	€ 130.47m
Intangible Assets	€ 69.02m
Total Assets	€ 259.01m
Current Liabilities	€ 116.03m
Shareholders' Equity	€ 88.33m

SHAREHOLDERS

Benner Holding GmbH	70.0%
Paladin Asset Management	9.9%
Free Float	20.1%

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INVESTMENT CASE

REAPING THE BENEFITS OF PLATFORM ECONOMICS

E-commerce platforms offer huge benefits for both consumers and merchants. Consumers have access to a large variety of products from many different merchants, along with high price transparency. Merchants in return get access to a much larger number of consumers than would be possible in a physical store or via their own online shop. The main value drivers for platforms are network effects. The more customers, merchants and products a platform has, the more value it provides for the stakeholders. TPG has fully understood platforms economics and their disruptive power. The company has built four retail e-commerce platforms from scratch and has acquired and integrated many platforms from different sectors into their platform model. TPG plans to position itself as the leading platform group in Europe; hence the 2020 name-change to “The Platform Group”. Online platforms such as Amazon (online retail, market cap. >$2,050bn) and Booking (online reservations, market cap. > $158bn), which were developed from scratch around 30 years ago, have grown to become global leaders. We believe that TPG has plenty of room to grow both organically and inorganically.

FULL CONTROL OF E-COMMERCE VALUE CHAIN ALLOWS FOR ORGANIC SCALING OF REVENUE AND EARNINGS

For more than a decade, The Platform Group has developed and improved its e-commerce software. Along with its software, the company has also expanded its suite of accompanying services (eg. marketing, shipping and payment). TPG is now a full service provider, connecting retailers to online markets, taking care of platform integration, sales services and aftersales services. This greatly simplifies the entire e-commerce process for its partners, differentiates TPG from its competitors and makes it very difficult for TPG to be replaced. TPG's successful platform model has attracted increasing numbers of merchants and active customers, thereby generating strong organic growth. Because none of TPG’s platforms have a market share of more than 10%, we believe that there still is considerable scope for the company to grow organically.

VALUE ACCRETIVE ACQUISITIONS OF SUCCESSFUL E-COMMERCE PLATFORMS

Since 2020, The Platform Group has successfully acquired more than 24 e-commerce companies and platforms, which it has integrated into its own platform model. The platform model is based on in-house software and services, which save costs and increase the process efficiency of each acquired platform, resulting in rising margins. TPG is currently able to acquire profitable online platforms at valuations of 3-5x EBITDA. As TPG, adjusted for any PPA effects, is currently trading at a 2024E EV/EBITDA multiple of 7x, EBITDA acquired at these prices is value accretive. This means that acquisitions are an important value driver of the company. TPG is currently in the process of expanding into 30 sectors by 2025, indicating strong further inorganic growth potential.

RETAIL E-COMMERCE MARKET EXPECTED TO CONTINUE GROWING AT A CAGR OF 7-9% UNTIL 2040

The retail e-commerce market, which currently already accounts for ~20% of global retail revenues, is expected to grow at a compound annual growth rate of 7% - 9% until 2040, according to a 2024 study by McKinsey. This would bring global e-commerce revenues to USD11-16 trillion in 2040. The main growth drivers are a continued increase in the digitalization of the population as well as further expansion of the selection of goods available online. We expect TPG to benefit disproportionally from this structural market growth as it acts as a consolidator.

SWOT ANALYSIS

STRENGTHS

- **Focus on e-commerce platforms** The Platform Group started off as a shoe retailer in 1882. When the current CEO Dr. Benner took over in 2012, the business moved into the hands of the 5th generation of the family. With knowledge of the challenges associated with connecting retail stores to online platforms, as well as the benefits of e-commerce platforms and their network effects, Dr. Benner moved into the e-commerce sector. The company developed its own scalable software, with which it controls the entire e-commerce value chain. TPG is now exploiting its knowledge of the platform model by acquiring an increasing number of online platforms, which it integrates with the help of its software.
- **Scalable e-commerce software developed in-house** The Platform Group has developed and has been improving its own scalable e-commerce software solution since 2013. This software, which allows TPG to act as an e-commerce full service provider, has been developed in such a way that it can be used in different industries with only minor adjustments needed to connect new partners. Because its software controls the entire e-commerce value chain, TPG is independent of external software solutions such as SAP or Salesforce and is able to reduce costs for acquired platforms.
- **Strong M&A team** The Platform Group has performed 24 mergers & acquisitions since 2020. It has acquired e-commerce platforms and companies at attractive prices and successfully integrated them into its platform model. This has allowed TPG to grow profitably, despite overall stagnation in the e-commerce market since 2021.

WEAKNESSES

- **Lack of geographical diversification** Over 90% of TPG´s partners are located in the DACH region. This geographical concentration makes TPG dependent on the economic development of this region.
- **Short track record on the stock exchange** While The Platform Group can trace its roots back to the retail shoe company founded in 1882, TPG did not acquire a stock exchange listing until the reverse takeover of Fashionette in November 2023. This means that TPG has only had to adhere to the stock exchange's high transparency standards for a short period of time.
- **High financing costs** On 1st July 2024, TPG placed a €30m 4-year unsecured Nordic bond with a fixed 8.875% interest rate. The interest payments on the bond exceed €2.6m per year. Combined with other outstanding interest-bearing loans, total annual interest payments are over €9m.

OPPORTUNITIES

- **Weak e-commerce markets offer attractive takeover targets** The Platform Group acts anti-cyclically, purchasing strong, profitable companies for a fraction of the price they would have paid five years ago. With the e-commerce sector having taken a hit in recent years, TPG is able to continue its acquisition spree while prices remain attractive.
- **Platform and network effects drive positive feedback loops** The successful (re)launch of a (new) platform ideally creates satisfied customers and merchants, which then attracts further customers and merchants, increasing the product

offering. As the number of partners and customers increases on TPG´s platforms, the value of these platforms increases with them. This in turn increases the probability that further customers will have heard of, and use these platforms, which reduces their cost of acquisition per customer as the platforms grow. If TPG is able to position itself as the leading platform group in Europe, in line with its mid-term goal, its platforms will reap the benefits of the previously described network effects.

- **Expansion opportunities** TPG's market share does not exceed 10% in any of the 23 sectors in which it operates. This means that on top of the internationalization opportunity and the planned expansion into 30+ sectors, there still is plenty of room to grow in the existing sectors.

THREATS

- **Software, IT and GDPR risk** Because TPG relies heavily on its e-commerce software, it is vulnerable to a cyber-attack or internal failures, which could lead to website problems or breaches of general data protection regulations (GDPR). Prominent examples of such cases are the CrowdStrike system error of July 2024, or the numerous GDPR violations, which led to lawsuits against and large settlement payments by platforms such as Facebook (Meta), or Amazon.
- **Strong markets could negatively impact top and bottom line** If the markets in which TPG's platforms operate experience a strong boom, the merchants might be able to sell all of their inventory offline, with no need for e-commerce. As TPG's platforms generate their revenue from these online transactions, a boom in some sectors could hurt TPG´s sales and earnings.
- **Risk of unsuccessful M&A** TPG has been able to integrate all of its recent mergers and acquisitions successfully. Nevertheless, it is possible that a future acquisition will not develop as hoped, resulting in lower additional revenue and earnings than anticipated.

VALUATION

We calculate the fair value of TPG based on a DCF model that discounts free cash flows generated in the future to the present value (PV).

We use a three-phase model, which estimates phase 1 up to and including 2026E in detail. For phase 2 from 2027E to 2037E, free cash flows are determined on the basis of assumptions regarding the most important model-relevant variables (sales, EBIT, depreciation and amortisation, CAPEX, working capital). The third phase calculates the terminal value.

We use the concept of weighted average cost of capital (WACC) to calculate the discount rate. This calculates the discount rate from the weighted average of the cost of equity and debt. We calculate the cost of equity according to the capital asset pricing model by adding the risk-free interest rate and the market risk premium multiplied by the company-specific risk factor.

We assume a risk-free interest rate of 2.4%. This estimate is based on long-term yields on government bonds that are considered safe. The 10-year German government bond currently yields around 2.4%. We calculate the company-specific risk factor using a proprietary model that incorporates factors such as earnings quality, management strength, financial risk, competitive position, corporate governance, transparency in the publication of financial figures, regulatory certainty, brand awareness, market capitalisation and free float. We have calculated a value of 2.60 for TPG. For the market risk premium, we assume a value of 5.0% as determined in scientific empirical studies. This yields a cost of equity of 2.4% + 2.6 * 5.0% = 15.4%. For the cost of debt, we assume a debt interest rate of 7%. Assuming a tax rate of 30%, this yields an after-tax interest rate of 4.9%. We model a long-term target capital structure of 50% equity and 50% debt. This weighting yields a WACC of 10.2%, which we use as the discount rate.

Our risk rating, which is based on the company-specific risk factor, is "High". Our risk rating is divided into the risk levels "Low risk", "Medium risk", "High risk" and "Speculative".

The assumptions for the first phase (2024E-2026E) are discussed in detail in the "Financial outlook" section.
We make the following assumptions for the second phase (2027E-2037E):

- Sales growth decreases from 7% in 2027E to 2% in 2037E;
- The EBIT margin slightly decreases from 6.7% in 2027E to 6.6% in 2037E;
- The tax rate will be 30% from 2027E onwards. Because of losses carried forward we expect TPG's tax rate to be -1% in 2024E, 15% in 2025E and 20% in 2026E.

The third phase calculates the terminal value. This is based on the following assumptions:

- Sales growth is 2%;
- The terminal EBIT margin is 6.7%;
- The terminal tax rate is 30%.

Figure 1 (overleaf) shows the fair value calculation for TPG. The present value of free cash flows for the explicit period (phases 1 and 2) is €259.5m. The present value of free cash flows in the terminal period (terminal value) is €136.5m. The sum of the values from both periods yields an enterprise value of €395.9m. The share of terminal value as a percentage of total enterprise value is 35%. To determine the shareholder value, net debt must be deducted or the net cash position added. Net debt amounted to €68.5m at the end of 2023.

After subtracting net debt from the enterprise value, our DCF model yields a fair value for TPG of €328.5m. Assuming a diluted number of shares amounting to 20,238,407, this yields a fair value per share of €16.23. We set a price target of €16.0 (see figure 1).

Figure 1: DCF model

All figures in EUR '000	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E
Net sales	**511,290**	**603,322**	**654,604**	**700,427**	**746,273**	**791,727**	**836,352**	**879,690**
NOPLAT	**33,529**	**30,943**	**35,060**	**34,320**	**36,109**	**37,887**	**40,029**	**42,105**
+ depreciation & amortisation	9,622	11,017	11,399	11,543	12,136	12,734	13,329	13,911
Net operating cash flow	43,150	41,959	46,459	45,863	48,245	50,621	53,358	56,016
- total investments (CAPEX and WC)	-37,422	-5,068	5,176	-16,503	-22,955	-23,735	-24,426	-25,020
Capital expenditures	-19,940	-17,496	-17,674	-18,211	-19,200	-20,153	-21,061	-21,912
Working capital	-5,009	12,428	22,850	1,708	-3,755	-3,582	-3,366	-3,107
Free cash flows (FCF)	5,728	36,891	51,635	29,360	25,290	26,886	28,931	30,996
PV of FCF's	**5,645**	**33,002**	**41,936**	**21,648**	**16,924**	**16,334**	**15,957**	**15,521**

All figures in thousands	
PV of FCFs in explicit period (2024E-2037E)	259,461
PV of FCFs in terminal period	136,475
Enterprise value (EV)	395,936
+ Net cash / - net debt	-68,509
+ Investments / minority interests	1,097
Shareholder value	328,524
Diluted number of shares	20,238
Fair value per share in EUR	16.23

Terminal growth:	2.0%
Terminal EBIT margin:	6.7%

WACC	10.2%
Cost of equity	15.4%
Pre-tax cost of debt	7.0%
Tax rate	30.0%
After-tax cost of debt	4.9%
Share of equity capital	50.0%
Share of debt capital	50.0%
Price target	16.00

Terminal growth rate

WACC	0.5%	1.0%	1.5%	2.0%	2.5%	3.0%	3.5%
7.2%	25.83	26.36	26.97	27.71	28.61	29.72	31.13
8.2%	21.63	21.92	22.24	22.62	23.07	23.61	24.25
9.2%	18.45	18.61	18.78	18.98	19.20	19.47	19.78
10.2%	15.97	16.05	16.13	16.23	16.34	16.47	16.62
11.2%	13.98	14.01	14.05	14.10	14.15	14.20	14.27
12.2%	12.35	12.37	12.38	12.39	12.41	12.42	12.44
13.2%	11.00	11.00	11.00	11.00	10.99	10.99	10.98

* for layout purposes the model shows numbers only to 2031, but runs until 2037

COMPANY PROFILE

OVERVIEW

The Platform Group AG is an owner and operator of e-commerce platforms across a broad range of sectors. TPG operates 26 platforms in 23 different sectors. The Platform Group acts as the operating holding company for its separate platforms, for which it acts as a full service provider along the e-commerce value chain. TPG is geographically focused on the DACH and Benelux regions, with over 90% of its partners based in the DACH region. The company is headquartered in Düsseldorf, Germany, and had 794 employees as of 30 June 2024.

COMPANY HISTORY

The origins of The Platform Group

The Platform Group can trace its origins back to 1882, with the founding of a retail store for shoes in Hofheim am Taunus. After Dr. Dominik Benner took over in 2012, making it a 5th generation family business, the company started to change its profile from a shoe-retailer to an e-commerce platform. This started with the founding of TPG's first online platform "Schuhe24" in 2013. Having come from a shoe retail background, Dr. Benner understood the challenges retailers face with e-commerce. Because of this, TPG worked on providing services along the entire e-commerce value chain, covering everything from product photography, listing and pricing, to customer support, logistics, distribution, payroll, marketing, business intelligence and accounting. This led to Schuhe24 becoming the leading platform for over 2,000 shoe retailers.

Building on the success of Schuhe24, TPG developed "Outfits24" and "Taschen24", online platforms for fashion and bags, in 2018 and 2019. As many of the shoe retailers that used Schuhe24 sold fashion goods and bags as well, the ability to implement cross-selling improved the value proposition of the platforms. In 2020 TPG developed its most recent online platform called "Dein Juwelier", expanding its offering to allow jewellers to sell jewellery and watches online via its platform. Since 2020 attractive acquisition prices have meant that TPG has not had to develop new online platforms itself.

Mergers & Acquisitions

Starting in 2020, TPG expanded its platform approach by focusing on mergers & acquisitions. The company has successfully completed over 24 acquisitions since 2020, with a focus on niche platforms, which we discuss in more detail in the "segments" section below.

The 2020 acquisition of the platform for exclusive fashion boutiques called MyStationary marked the first acquisition in the company's history. As the company's profile changed, it rebranded to "The Platform Group" to reflect its focus on connecting retailers to online customers via their e-commerce platforms. The Platform Group has a strong M&A team, which is part of its 124-person operative holding. TPG has a strict set of criteria with which it evaluates potential M&A targets. Based on these criteria, which are depicted in figure 2 (overleaf), TPG narrowed down 1600 potential M&A targets for 2024 to a final 8 companies which it actually acquired or still plans to acquire. Another criterion for TPG's acquisitions has been an enterprise valuation of 3-5x EBITDA. TPG plans on making 3-8 acquisitions per year, as long as valuations of target companies remain in that range.

Figure 2: The Platform Group's criteria for M&A targets

Revenue & Customers	Status of the Company	Profitability & Debt	Strategy & IT
• Diversified customer base(>1,000 customers) • Revenue range €3m-100m • Positive revenue development(>10-15% y/y)	• No early phase investments, only targets with a proven track record • Sufficient management levels, no risk of single management issues	• Adjusted EBITDA margin >3% in 1st year post merger integration • Debt level <2x EBITDA	• Platform strategy (or e-commerce company changing to platform strategy) • High IT/ERP knowledge and TPG-software-fit

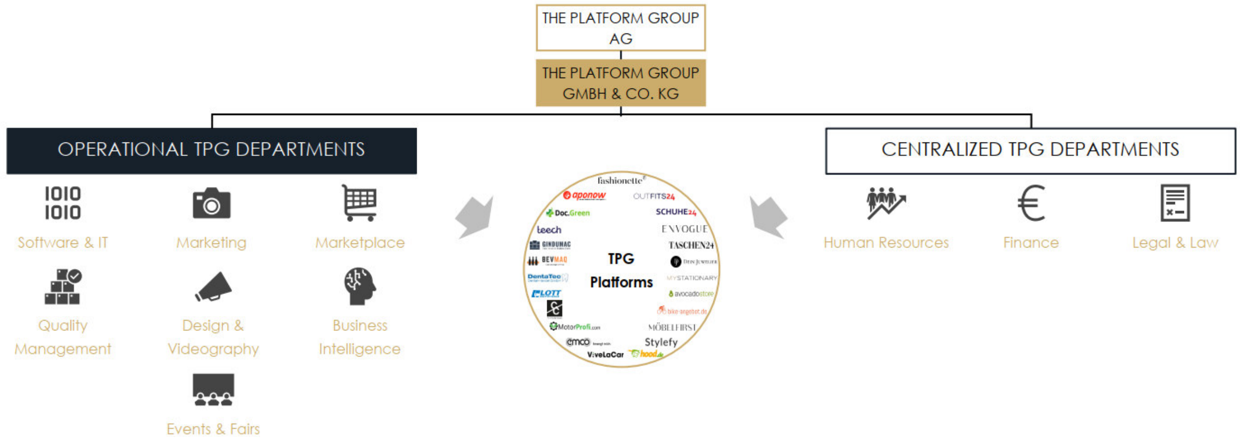
Source: First Berlin Equity Research, The Platform Group AG

STRUCTURE OF THE PLATFORM GROUP

Operative holding

The Platform Group GmbH & Co. KG is the operative holding of The Platform Group AG, which organizes services covering the entire e-commerce value chain for its platforms. These services, which range from product photography and providing e-commerce software, to customer support, logistics, payroll, marketing, business intelligence and accounting, are depicted below in figure 3. TPG's e-commerce software has been developed and improved in-house since 2013. This software not only creates and manages the websites for e-commerce platforms, but also manages services such as product pricing, listing, enterprise resource planning and marketing. Legal, HR and financial matters are also centrally managed. This allows the individual companies that are part of TPG's portfolio to focus on their core competences, while all of the supporting services are centralized at the holding level. By organizing the company in this way, TPG is able to leverage synergies such as group marketing and cross-selling, while also reducing overall operating and personnel expenses.

Figure 3: Graphic representation of the services provided by TPG operative holding



Source: The Platform Group AG

E-commerce platform overview

An e-commerce platform is a software solution that creates a virtual marketplace that connects buyers and sellers over the internet. The most common types of e-commerce platforms are business to business (B2B) and business to consumer (B2C) platforms. In both cases a business or businesses list their items on these platforms, with the only difference being whether their customer is another business or a private person (consumer). For the service of connecting the businesses, also known as partners, with buyers, these platforms charge fees. The Platform Group receives fees, known as takeaway, on the revenue generated on its platforms. The average takeaway across TPG's platforms is ~23%.

TPG's services along the e-commerce value chain

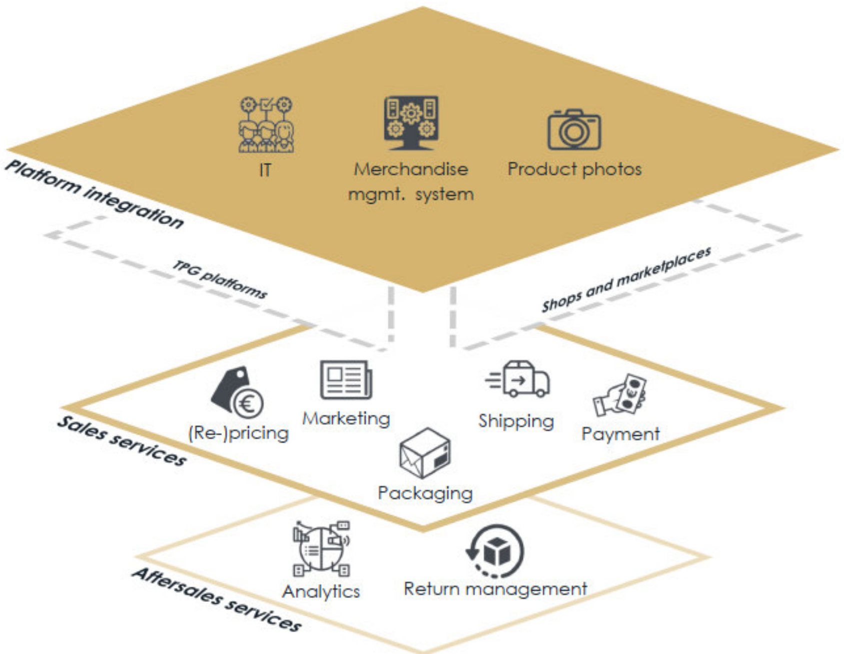
While The Platform Group has managed to develop its own scalable e-commerce software, this is not its main value-add. By providing accompanying services, which are enabled by its software, TPG is able to control the entire process in three steps: platform integration, sales service and aftersales service. The first step, platform integration, includes steps such as product photography, listing products on its websites, and merchandise management. In addition to listing products on its own websites, TPG also list products on over 50 different sales channels such as Amazon, eBay and OTTO. These services simplify the transition from physical retail to e-commerce for TPG's partners.

Once products are listed on its own websites and additional channels, TPG provides its partners with an accompanying sales service. Using its software, TPG is able to assist partners with pricing and repricing their goods by comparing prices with other providers and then marketing these products. Once the order goes through, TPG takes care of the packaging and shipping of the goods, as well as payment.

After the products have been sold and delivered, TPG provides its partners with aftersales services. These services include return management, data analytics and customer support. Because TPG controls the entire data set along the value chain, it can leverage data analytics to improve its marketing.

This range of services provided strongly differentiates TPG from SaaS e-commerce software providers. Not licensing out its e-commerce software to third parties means that TPG has much lower margins, but it also makes it much harder to replace. Any partner interested in changing to another platform would need to either develop these competencies in-house or out-source these different services to several different companies. By controlling the entire value chain, TPG has built a strong foundation on which it is currently building a broad portfolio of platforms.

Figure 4: Services provided along TPG's value chain



Source: The Platform Group AG

SEGMENTS

The Platform Group operates 26 platforms in 23 different sectors, which can be further divided into their four business segments: Consumer Goods, Freight Goods, Industrial Goods, and Service & Retail Goods.

Consumer Goods

The Consumer Goods segment is TPG's largest segment, accounting for ~57% of group revenue in 2023. This segment is primarily focused on clothing, shoes, bags and jewellery. The consumer goods segment is comprised primarily of B2C platforms and currently includes the following 12 companies:

Figure 5: Platforms in the Consumer Goods segment

#	Name	Focus of the platform	Acquisition date/ launch date
1	**Schuhe24**	Shoes	2013
2	**Outfits24**	Fashion	2018
3	**Taschen24**	Bags	2019
4	**Dein Juwelier**	Jewellery	2020
5	**MyStationary**	Fashion	2020
6	**En Vogue**	Fashion, luxury fashion	2021
7	**Fashionette**	Luxury fashion, jewellery	2022
8	**Winkelstraat**	Fashion	2024
9	**Hood.de**	Online marketplace	2024
10	**Avocadostore**	Eco-fashion, green lifestyle	2024
11	**Aplanta**	Artificial plants	2024
12	**0815 Group**	Broad range of consumer goods	2024

Source: First Berlin Equity Research, The Platform Group AG

Freight Goods

The Freight Goods segment is TPG's second largest segment, accounting for ~16% of group revenue in 2023. The segment is generally made up of online B2C platforms for furniture and vehicles. The Freight goods segment currently includes the following 10 companies:

Figure 6: Platforms in the Freight Goods segment

#	Name	Focus of the platform	Acquisition date
1	**Bike-Angebot**	Bicycles & E-bikes	2020
2	**MöbelFirst**	Furniture	2020
3	**99rooms (Stylefy)**	Furniture	2021
4	**Emco Electroroller**	E-mobility	2022
5	**ViveLaCar**	Car leasing	2023
9	**Gem-S**	2-wheel e-mobility	2023
6	**Simon-Profi-Technik**	Garden & Forestry	2023
7	**Cluno Group**	Car rentals	2023
8	**Jungherz**	Bicycle parts	2024
10	**Oege Group**	B2B e-commerce	2024

Source: First Berlin Equity Research, The Platform Group AG

Industrial Goods

The Industrial Goods segment is TPG's third largest segment, accounting for ~14% of 2023 group revenue. The segment includes niche platforms for complex industrial products such as machinery, which have geared their business models specifically to the sales of these goods. The Industrial Goods segment is primarily made up of B2B platforms and currently includes the following 6 companies:

Figure 7: Platforms in the Industrial Goods segment

#	Name	Focus of the platform	Acquisition date
1	**Gindumac**	Machines	2020
2	**Lott**	Spare car parts	2021
3	**The Cube Club**	Hairdressing salon products	2021
4	**DentaTec**	Dental products & local ozone therapy	2021
5	**BEVMAQ**	Used beverage machines	2022
6	**Wehrmann**	Wood Machinery	2024

Source: First Berlin Equity Research, The Platform Group AG

Service & Retail Goods

The Service & Retail Goods segment is TPG's smallest segment, accounting for ~13% of group revenue in 2023. The Service & Retail Goods segment comprises platform activities that are aligned to services, such as online pharmacies, and also includes the Group's ten brick-and-mortar stores. The Service & Retail Goods segment includes the following 6 companies:

Figure 8: Platforms in the Service & Retail Goods segment

#	Name	Focus of the platform	Acquisition date
1	**Teech**	E-Learning	2020
2	**Doc.Green**	Pharmaceuticals	2021
3	**ApoNow**	Pharmaceuticals	2021
4	**KlickA**	Pharmaceuticals	2021
5	**Value Property Platform**	Real estate	2021
6	**10 retail stores**	Physical retail	n.m.

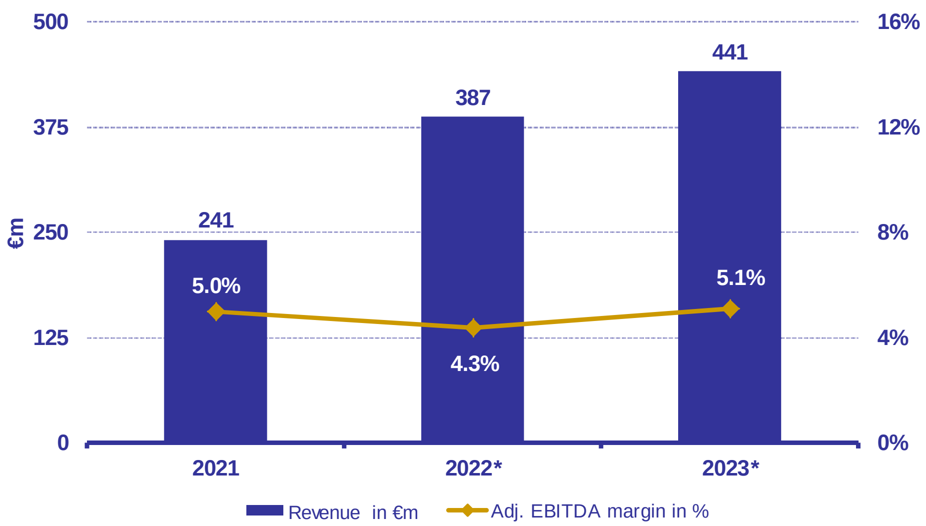
Source: First Berlin Equity Research, The Platform Group AG

FINANCIAL HISTORY AND OUTLOOK

FINANCIAL HISTORY

The Platform Group acquired its stock exchange listing through the reverse takeover of Fashionette in November 2023. The 2023 annual report is therefore the first annual report that complies with the transparency standards required by the stock exchange. While we do not have a full breakdown of previous income statements, in its 2023 annual report TPG shows (pro-forma) revenue and adjusted EBITDA since 2022 (see figure 9 below). For the sake of better comparability, TPG showed actual and pro-forma numbers in its 2023 annual report. The pro-forma numbers are calculated on the assumption that Fashionette and other acquisitions made by TPG are consolidated from January 2022. In our analysis, we use the pro-forma 2022 and 2023 figures. The 2021 numbers are based on the sum of the results for Fashionette AG and TPG GmbH & Co. KG. The Platform Group includes income from Purchase Price Allocation (PPA) effects in its P&L. PPA arises because TPG is sometimes able to purchase companies for less than the book value of their equity. The difference between equity value and the purchase price is booked as income if it is negative (or added to goodwill if it is positive). To get a more comparable EBITDA, TPG not only reports EBITDA including these PPA effects, but also adjusted EBTIDA, which excludes PPA effects. For the sake of better comparability, we look at adjusted EBITDA.

Figure 9: Revenue and adjusted EBITDA margin development 2021-2023



***2022 and 2023 numbers refer to the pro-forma results as per the definition above. 2021 numbers refer to the sum of the results for Fashionette AG and TPG GmbH & Co. KG*

Source: First Berlin Equity Research, The Platform Group AG

P&L – Double-digit revenue growth and margin expansion

Group revenue went up 14% y/y, due to both an increase in the total number of orders to 6.2m in 2023 and an increase in the value of the average shopping basket €114.

Figure 10: Comparison of key figures in 2022 and 2023

Key figures	2023A	2022A	Δ
Number or orders in millions	6.19	5.44	14%
Average shopping basket in €	114	109	5%
Gross merchandise volume in €m	705	620	14%
Revenue in €m	441	387	14%
Active customers in millions	4.0	3.5	16%

Source: First Berlin Equity Research, The Platform Group AG

Despite revenue rising from €387m in 2022 to €441m in 2023, the cost of goods sold increased at a higher rate, leading to a stable gross profit of €115.2m. This was due to a change in the makeup of TPG's segment revenues. The two segments with the lowest gross margins, Industrial Goods and Service & Retail Goods, respectively saw an 11% and an 84% increase in revenues, compared with growth of 8% and 4% respectively in the Consumer Goods and Freight goods segments, which have higher gross margins. A more detailed breakdown of segment revenues can be found in the "revenue by segment" section below.

Figure 11: Comparison income statement 2022 and 2023

All figures in EUR '000	2023A	2022A	Δ
Revenues	440,767	387,441	14%
Cost of goods sold	325,565	271,987	20%
Gross profit	115,202	115,454	0%
margin	*26.1%*	*29.8%*	*-2.7 pp*

Source: First Berlin Equity Research, The Platform Group AG

EBITDA was up 28% y/y from €37.0m to €47.4m, primarily due to a reduction in headcount following the merger with Fashionette bringing down personnel costs. Cost reductions associated with centrally organizing marketing and administration from the operative holding also positively affected EBITDA. The impact of these cost reductions was partially offset by a 34% increase in distribution costs from the carriers (UPS, GLS, and DHL). Overall, the EBITDA margin was up by 1.3 percentage points to 10.8%. Adjusted for PPA effects, AEBITDA also rose by 34% y/y to €22.6m, with the adj. EBITDA margin up 0.8 percentage points to 5.1%.

Figure 12: Main expenses affecting EBITDA for 2022 and 2023

All figures in EUR '000	2023A	2022A	Δ
Gross profit	**115,202**	**115,454**	**0%**
Personnel costs	22,360	27,117	-18%
Sales & Marketing	28,142	30,609	-8%
Distribution costs	35,396	26,293	35%
EBITDA	**47,431**	**36,986**	**28%**
margin	*10.8%*	*9.5%*	+1.3 pp
Adj. EBITDA	22,572	16,806	34%
margin	*5.1%*	*4.3%*	+0.8 pp

Source: First Berlin Equity Research, The Platform Group AG

The EBIT margin widened to 8.9%, due in part to stronger EBITDA, but also because of a nearly 30% decrease in depreciation & amortization. This reduction in D&A stemmed from the disposal of a large portion of the inventories and fixed assets acquired through the merger with Fashionette. Despite financial expenses increasing more than fivefold to €6.5m, pre-tax income margin was still up 1.2 percentage points at 7.5%, because of stronger operating income. Owing to losses carried forward from Fashionette, TPG's income tax expenses came in at €-329k. Overall, this led to a 34% increase in net income to €33.3m, with 2023 earnings per share at €1.93 (see figure 13 overleaf). Net of PPA effects, EPS amounted to €0.49. As no shares of The Platform Group AG existed before 1 January 2023, an EPS comparison is not possible.

Figure 13: Comparison of results between 2022 and 2023

All figures in EUR '000	2023A	2022A	Δ
EBITDA	47,431	36,986	28%
margin	*10.8%*	*9.5%*	*+1.3 pp*
Operating income (EBIT)	39,433	25,634	54%
margin	*8.9%*	*6.6%*	*+2.3 pp*
Pre-tax income (EBT)	32,984	24,514	35%
margin	*7.5%*	*6.3%*	*+1.2 pp*
Net income / loss	**33,313**	**24,788**	34%
Diluted EPS (in €)	1.93	n.a.	

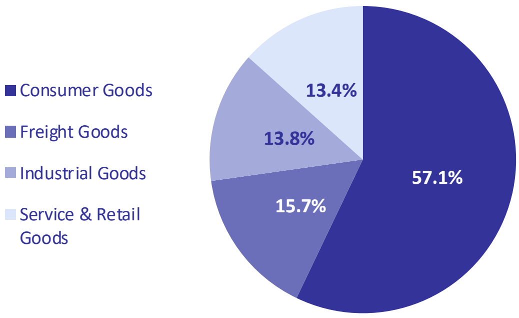
Source: First Berlin Equity Research, The Platform Group AG

Revenue by segment

The Platform Group operates online platforms, which it divides into four business segments: Consumer Goods, Freight Goods, Industrial Goods and Service & Retail Goods. Over 55% of 2022 and 2023 revenue derived from the Consumer Goods segment. While most of the segments showed single-digit to low double digit growth, the Service & Retail Goods segment, which is their smallest segment by revenue, grew by 84% between 2022 and 2023. This was due to strong organic growth in that segment. Total revenue increased by 14% to €441m in 2023.

Figure 14: Revenue split by segment for 2022 and 2023

Revenue Split	2023A	2022A	Δ
Consumer Goods	251,703	234,084	8%
Freight Goods	69,093	66,648	4%
Industrial Goods	60,880	54,608	11%
Service & Retail Goods	59,090	32,101	84%
Total Revenue	**440,767**	**387,441**	**14%**



Source: First Berlin Equity Research, The Platform Group AG

Adjusted EBITDA by segment

Most of the segments saw positive adjusted EBITDA margin development, with the exception of the Service & Retail Goods segment in which the EBITDA margin narrowed by 1.7 percentage points to 2.4% in 2023.

Figure 15: Adjusted EBITDA split by segment for 2022 and 2023

Adjusted EBITDA by segment in €k	2023A	2022A	Δ
Adj. EBITDA Consumer Goods	14,626	9,806	49%
margin	*5.8%*	*4.2%*	+1.6 pp
Adj. EBITDA Freight Goods	4,912	4,288	15%
margin	*7.1%*	*6.4%*	+0.7 pp
Adj. EBITDA Industrial Goods	1,622	1,404	16%
margin	*2.7%*	*2.6%*	+0.1 pp
Adj. EBITDA Service & Retail Goods	1,412	1,309	8%
margin	*2.4%*	*4.1%*	-1.7 pp
Total adj. EBITDA	**22,572**	**16,806**	**34%**
margin	*5.1%*	*4.3%*	+0.8 pp

Source: First Berlin Equity Research, The Platform Group AG

Balance Sheet – Working capital improvement through inventory sell-off

Total assets declined by 2% to €284m, owing mainly to a reduction in inventories. Inventories fell by 27% or ~€35m y/y, due to the disposal of large parts of the inventory acquired in the Fashionette merger. The merger with Fashionette, along with the acquisitions of Cluno, Simon-Profi-Technik and ViveLaCar, led to trade receivables, goodwill and other intangible assets increasing in 2023. Receivables saw the largest increase, growing by 44% to €54.7m, due to the effects of consolidating the newly acquired companies. Goodwill and other intangible assets increased by 37% and 8%, to €43.8m and €64.0m respectively. The increase in goodwill most likely stems from the ViveLaCar acquisition. The growth in other intangible assets can be attributed to investments in enterprise resource planning and e-commerce software, as well as other software or patents acquired.

Figure 16: Selected assets from 2022 and 2023 pro-forma balance sheets

All figures in EUR '000	2023A	2022A	Δ
Current assets, total	**164,153**	**188,748**	-13%
Receivables	54,676	38,069	44%
Inventories	92,313	127,227	-27%
Non-current assets, total	**120,187**	**100,791**	19%
Goodwill	43,768	32,023	37%
Other intangible assets	64,024	59,054	8%
Total assets	**284,340**	**289,539**	-2%

Source: First Berlin Equity Research, The Platform Group AG

Equity declined by 10% to €81.6m, despite positive earnings. This was primarily because of an adjustment in the capital structure due to the reverse acquisition of Fashionette. The equity ratio decreased by 2.6 percentage points to 28.7%.

The increase in total liabilities was primarily driven by the 32% increase in accounts payable to €41.1m and the 61% increase in other current liabilities to €70.1m. The increase in accounts payable stems primarily from the effect of consolidating the balance sheets of acquired companies. Other current liabilities are primarily made up of liabilities associated with the inventories acquired from Cluno and ViveLaCar. Long-term financial debt fell 53% to €32.3m, due to debt repayment.

Figure 17: Selected liabilities from 2022 and 2023 pro-forma balance sheets

All figures in EUR '000	2023A	2022A	Δ
Current liabilities, total	**151,386**	**115,520**	31%
Accounts payable	41,055	31,026	32%
Other current liabilities	70,083	43,554	61%
Long-term liabilities, total	**51,351**	**83,514**	-39%
Long-term debt	32,325	69,434	-53%
Shareholders' equity	**81,603**	**90,505**	-10%
Equity ratio	28.7%	31.3%	-2.6 pp
Total consolidated equity and debt	**284,340**	**289,539**	-2%

Source: First Berlin Equity Research, The Platform Group AG

Net debt (financial debt + lease liabilities - cash) fell by 29% to €68.8m, chiefly due to lower long-term financial debt. Cash fell 37% to €7.6m, due to payments made for acquisitions. Overall the leverage ratio, defined as net financial debt divided by adjusted EBITDA, went down by 51% to 2.66. This is due to both an increase in adjusted EBITDA and a reduction in net financial debt.

Figure 18: Net debt and leverage ratio for 2022 and 2023

All figures in EUR '000	2023A	2022A	Δ
Cash and cash equivalents	7,616	12,060	-37%
Short-term financial debt	35,313	34,029	4%
Long-term financial debt	32,325	69,434	-53%
Lease liabilities	8,822	5,402	63%
Net debt	68,844	96,805	-29%
Leverage ratio (Net financial debt/AEBITDA)*	2.66	5.44	-51%

**AEBITDA refers to EBITDA net of any PPA effects, and net financial debt refers to net debt excl. lease liabilities*

Source: First Berlin Equity Research, The Platform Group AG

Working capital fell 21% to €105.9m, as TPG sold a large portion of the inventories acquired during the merger with Fashionette. The working capital ratio (working capital/revenue) decreased by 10.7 percentage points to 24%.

Figure 19: Working capital for 2022 and 2023

All figures in EUR '000	2023A	2022A	Δ
Inventories	92,313	127,227	-27%
Accounts receivable	54,676	38,069	44%
Accounts payable	41,055	31,026	32%
Working capital	105,934	134,270	-21%
Working capital ratio	24.0%	34.7%	-10.7 pp

Source: First Berlin Equity Research, The Platform Group AG

TPG's balance sheet strengthened in 2023 as the company reduced its working capital and net debt.

Cash Flow Statement – Strong operating cash flow

The 2023 merger between The Platform Group and Fashionette makes it difficult to compare the 2022 and 2023 pro-forma cash flow statements. Because of this, TPG only provides a cash flow statement for 2023.

Net cash flow amounted to €-4.4m, bringing TPG's cash position to €7.6m at the end of 2023. Operating cash flow was €71.2m, due primarily to the previously mentioned inventory reduction. €18.4m of investments in PP&E brought free cash flow to €52.8m. Investing cash flow came in at €-77.4m, due to the investments in PP&E, as well as €58.9m spent on acquisitions. Financing cash flow was €1.7m, which was primarily made up of debt financing.

Figure 20: Selected positions from cash flow statement for 2023

All figures in EUR '000	2023A
EBITDA	**47,431**
Changes in working capital	55,486
Other adjustments (incl. PPA effects)	-29,545
Operating cash flow	**71,225**
Investments in PP&E	-18,447
Free cash flow	**52,779**
Acquisitions & disposals, net	-58,949
Investing cash flow	**-77,395**
Financing cash flow	**1,726**
Net cash flows	**-4,444**

Source: First Berlin Equity Research, The Platform Group AG

H1 Figures – Great revenue growth and further margin expansion

The most recent results published by The Platform Group are the H1 results for 2024. Overall, revenues increased by 24% to €248m, due to a 15% increase in the number of orders to 3.75m, as well as a 4% increase in average shopping basket value to €118.

Figure 21: Comparison of key figures between H1/24 and H1/23

Key figures	H1 2024	H1 2023	Δ
Number or orders in millions	3.75	3.25	15%
Average shopping basket in €	118	113	4%
GMV in €m	442	367	20%
Revenue in €m	248	200	24%
Active customers in millions	4.8	3.8	26%

Source: First Berlin Equity Research, The Platform Group AG

The first half year of 2024 showed positive developments on most metrics. Gross profit rose by 22% to €66.1m and adjusted EBITDA increased 33% to €17.6m. Net income was up 27% at €20.8m, with EPS up by 10% at €1.05. EPS did not keep pace with net income because TPG issued 2 million new shares as part of the payment for acquisitions made in 2024.

Figure 22: Comparison between income statement H1/24 and H1/23

All figures in EUR '000	H1 2024	H1 2023	Δ
Revenues	247,932	200,332	24%
Cost of goods sold	165,439	133,179	24%
Gross profit	66,054	54,331	22%
margin	*26.6%*	*27.1%*	*-0.5 pp*
EBITDA	30,045	19,961	51%
margin	*12.1%*	*10.0%*	*+2.1 pp*
Adj. EBITDA	17,572	13,249	33%
margin	*7.1%*	*6.6%*	*+0.5 pp*
Net income / loss	**20,810**	**16,374**	**27%**
Diluted EPS (in €)	1.05	0.95	10%

Source: First Berlin Equity Research, The Platform Group AG

The most important change in the balance sheet during H1/24 was the 30% reduction in inventories to €65.0m. This was mainly due to the disposal of cars acquired through the Cluno acquisition.

Working capital decreased by a further 28% to €76.1m in H1 2024. The working capital ratio also fell by 8 percentage points to 16%. This reduction can be attributed to the 30% reduction in inventories to €65.0m

Figure 23: Working capital and working capital ratio for H1/24 and 2023

All figures in EUR '000	H1/24	2023	Δ
Inventories	65,045	92,313	-30%
Accounts receivable	46,082	54,676	-16%
Accounts payable	35,069	41,055	-15%
Working capital	76,058	105,934	-28%
Working capital ratio	16%	24%	-8 pp

Source: First Berlin Equity Research, The Platform Group AG

Equity increased by 8% to €88.3m, owing chiefly to the issue of approximately 2 million new shares resulting in an 11% increase in shares outstanding to 19.875m shares. The equity ratio increased by 5.4 percentage points to 34.1%.

Figure 24: Comparison equity and total liabilities from balance sheets H1/24 and 2023

All figures in EUR '000	H1/24	2023	Δ
Equity	**88,276**	**81,603**	**8%**
Equity ratio	34.1%	28.7%	+5.4 pp
Shares outstanding	19,875	17,855	11%
Total consolidated equity and debt	**259,006**	**284,340**	**-9%**

Source: First Berlin Equity Research, The Platform Group AG

Operating cash flow was once again strong and came in at €21.4m, with free cash flow of €17.1m, due to CapEx of €4.3m. An additional €10.8m paid for acquisitions in H1 brought investing cash flow to €-15.1m. Net cash flow amounted to €7.5m, bringing cash and cash equivalents to €15.1m at H1 2024.

Figure 25: Selected items from the H1 2024 cash flow statements

All figures in EUR '000	H1 2024
Operating cash flow	21,374
Free cash flow	17,059
Investing cash flow	-15,083
Financing cash flow	1,159
Net cash flows	7,450

Source: First Berlin Equity Research, The Platform Group AG

€30m Nordic bond placed

On 1 July 2024, The Platform Group placed a €30m 4-year unsecured Nordic bond with an 8.875% coupon. The interest payments on this bond amount to €2.66m per year. TPG expects net financial debt (excl. lease liabilities) of €79.7m at year-end 2024, which is a 28% increase on H1/24 net debt. The company will use the proceeds of this bond to finance acquisitions. We expect that acquisitions will be financed with a mix of cash, loans and equity. We expect the ratio will be approximately 40% cash, 40% loans and 20% equity.

2024 and 2025 Guidance – both raised twice

On 30 January 2024, The Platform Group issued guidance for 2024 gross merchandise volume (GMV), revenue and adjusted EBITDA. They gave a GMV range of €760m - €800m, a revenue range of €460m - €470m and an adjusted EBITDA range of €24m - €28m. Due to strong organic growth, as well as the acquisitions made in 2024, TPG increased 2024 guidance in May and again in September (see figure 26).

Figure 26: Guidance development for 2024

All figures in €m	2024 guidance (30/01/2024)	Guidance increase 1 (29/05/24)	Guidance increase 2 (27/09/24)
Gross merchandise volume	760-800	840-870	880-900
Revenue	460-470	480-500	500-520
Adjusted EBITDA	24-28	26-30	29-32

Source: First Berlin Equity Research, The Platform Group AG

On 5 April 2024, TPG issued 2025 guidance and gave a target GMV of at least €1bn, with an adjusted EBITDA margin of 7-10%. Strong organic growth as well as positive business development in 2024 led TPG to increase GMV guidance in June and again in September. TPG gave first 2025 revenue guidance of >€550m at the capital markets day in June, and further raised this to >€570m in September.

Figure 27: Guidance development for 2025

All figures in €m	2025 guidance (05/04/2024)	Guidance increase 1 (11/06/24)	Guidance increase 2 (27/09/24)
Gross merchandise volume	1,000	1,100	1,200
Revenue	-	>550	>570
Adjusted EBITDA margin	7-10%	7-10%	7-10%

Source: First Berlin Equity Research, The Platform Group AG

FINANCIAL OUTLOOK

Good revenue growth and widening margins

For 2024E we estimate revenues of €511.3m (guidance: €500m-520m), a 16% increase with respect to 2023. We expect the split between organic and inorganic growth to be ~45% to 55%. Due to uncertainty regarding the number and volume of acquisitions, we do not include inorganic growth in our forecasts from 2025 onwards. As soon as TPG announces further acquisitions we will increase our forecasts. We look for 2025E revenues to rise by 18% to €600.3m (guidance: >€570m). Apart from organic growth, we trace this back to acquisitions made in 2024 which will deliver first full-year contributions in 2025E. TPG estimates the annual revenue contribution of the 0815 Group acquisition alone at >€60m.

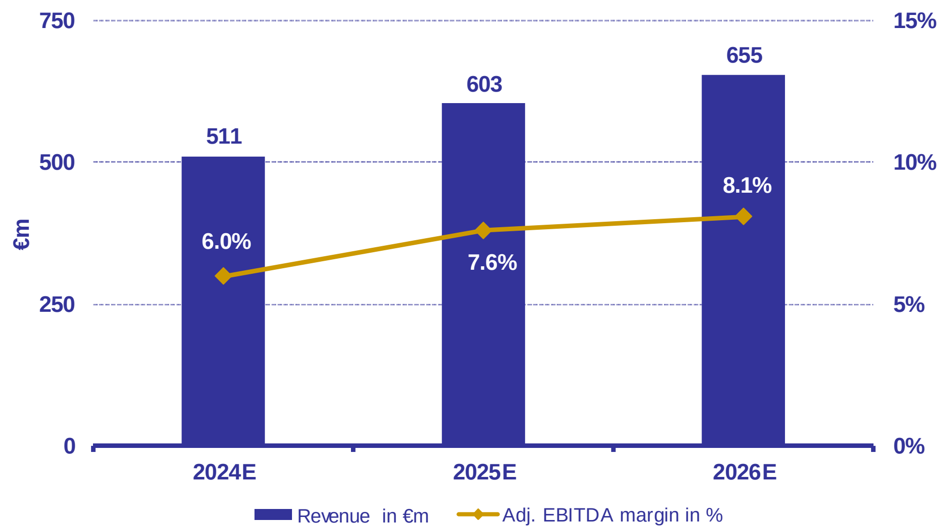
Future EBITDA may include PPA effects from further acquisitions. As we focus on the existing operating business we model adjusted EBITDA excluding these effects. We expect adjusted EBITDA to increase 36% to €30.7m in 2024E with an additional 49% increase to €45.9m in 2025E. We see the adjusted EBITDA margin widening to 6.0% (guidance: 5% - 7%) in 2024E, with a further increase to 7.6% in 2025E (guidance: 7% - 10%). This margin expansion is driven by reductions in personnel cost and sales, general & administrative cost as a percentage of sales. Net income, adjusted for PPA effects, looks set to climb by 67% to €12.3m in 2024E. For 2025E we forecast a 74% y/y rise to €21.4m (see figure 28 overleaf).

Figure 28: Select items from income statement forecasts 2024E-2026E

All figures in EUR '000	2024E	2025E	2026E
Revenues	511,290	603,322	654,604
Change y/y	16%	18%	9%
Gross profit	138,048	162,897	176,743
margin	*27.0%*	*27.0%*	*27.0%*
EBITDA	43,150	45,852	53,023
PPA effects	12,473	0	0
Adjusted EBITDA	**30,677**	**45,852**	**53,023**
margin	*6.0%*	*7.6%*	*8.1%*
Net income	24,742	21,360	26,596
Adjusted net income	**12,269**	**21,360**	**26,596**
Adjusted EPS (in €)	**0.61**	**1.06**	**1.31**

Source: First Berlin Equity Research estimates

Figure 29: Revenue and adjusted EBITDA development 2024E-2026E



Robust balance sheet with sufficient firepower for further acquisitions
Due to the €30m bond placement on 1 July 2024 we expect net debt to increase to €87.7m by year-end 2024 Net financial debt (excl. lease liabilities) should come in at €79.2m, with a 2024E leverage ratio (net financial debt/AEBITDA) of 2.58x, which is in line with TPG's leverage guidance of 2.65x. For 2025E we model a 32% decrease in net debt to €59.8m, leading to a leverage ratio of 1.12x. This is below TPG's guided 2025 leverage ratio of 1.5x-2.3x, which indicates that the company has scope to make further acquisitions. The reduction in net debt is driven by an increase in cash & cash equivalents to €35.0m in 2025E and €69.7m in 2026E.

We expect equity to rise by 6% to €86.8m in 2024E. This increase can be traced back to the 2.38m shares issued as part of acquisitions made in 2024. We expect equity to climb to €108.3m in 2025E as retained earnings increase. As a result thereof, the equity ratio should widen from 29.1% in 2024E to 33.3% in 2025E.

Strong and rising operating and free cash flows from 2025 onwards

2024E operating cash flow should come in lower than usual at €17.7m, due to a temporary working capital build up. However, we expect strong operating cash flows of €45.3m and €57.4m for 2025E and 2026E respectively, driven by rising net profits and lower working capital requirements. We model CapEx for intangibles & PP&E of ~€17.5m for both 2025E and 2026E, resulting in free cash flow of €28.0m and €43.7m respectively. Due to acquisitions made in 2024, cash flow from investments is expected to come in at €-44.9m. Because we focus on TPG's existing operating business, we exclude future acquisitions from our cash flow estimates. As soon as TPG announces further acquisitions we will adjust our estimates. Cash flows from financing should amount to €31.8m in 2024E, due to the €30m bond issuance bringing net proceeds of €4.7m. We expect net cash flows for 2025E and 2026E to climb to €23.0m and €38.7m respectively.

Figure 30: Select items from cash flow statement forecasts 2024E-2026E

All figures in EUR '000	2024E	2025E	2026E
Operating cash flow	17,781	45,505	61,346
Free cash flow	-2,159	28,008	43,671
Investing cash flow	-44,940	-17,496	-17,674
Financing cash flow	31,828	-5,000	-5,000
Net cash flows	4,669	23,008	38,671

Source: First Berlin Equity Research estimates

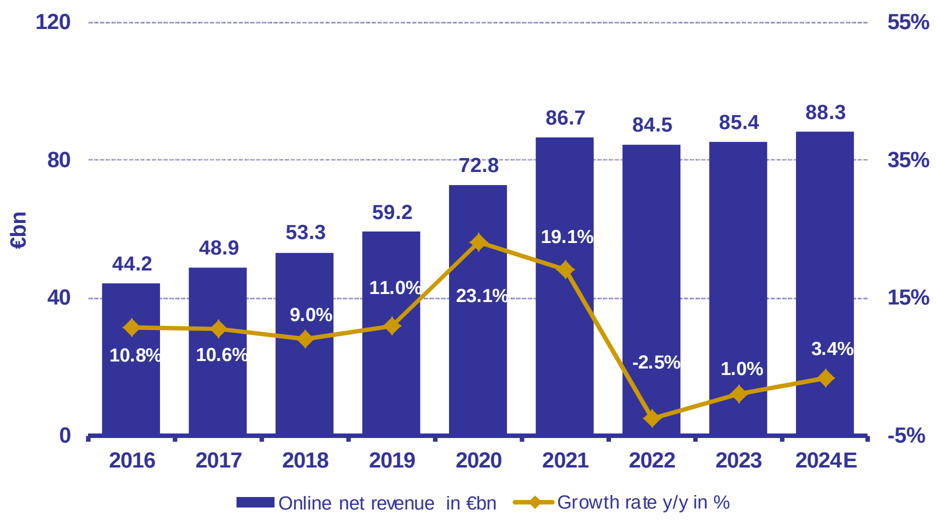
MARKET ENVIRONMENT

GERMAN E-COMMERCE MARKET DEVELOPMENT 2016-2024E

From 2016 to 2023 the German e-commerce market almost doubled in size to €85bn. This corresponds to a CAGR of 9.9%. The e-commerce market share of German net retail revenues (retail revenues excl. pharmacies, automobiles and fuel) rose from 9.0% in 2016, to 13.2% in 2023.

The growth of the e-commerce market can be divided into three distinct periods (2016-2019; 2020-2021; 2022-2023). Between 2016 and 2019, the market grew at a rate of ~10% p.a., driven primarily by an increase in digitalization of the population and increased smart phone usage. This was accompanied by improvements to the e-commerce experience such as easier and more secure online payment methods and better delivery times. In 2020 and 2021, the German retail e-commerce sector saw much higher growth rates of ~20% p.a., due to the effects of the Covid-19 pandemic. The lockdowns forced many retail stores to close down and switch to online sales platforms. After these unusually large increases in 2020 and 2021, the sector has been drifting sideways as stores reopened and many people returned to offline shopping. For 2024, the German Trade Association (HDE) expects the German retail e-commerce market to grow 3.4% to €88.3bn (see figure 30).

Figure 31: Development of online net revenues in Germany 2016-2024E



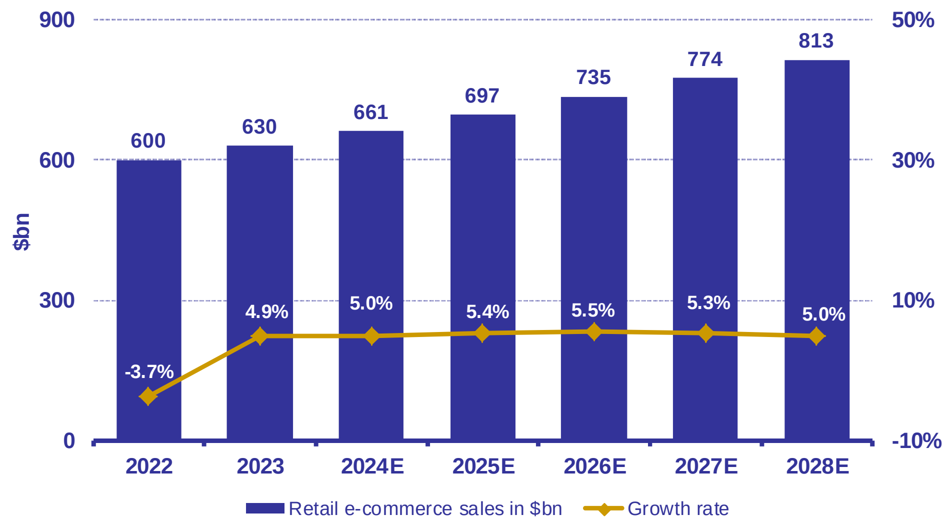
Source: HDE 2024, First Berlin Equity Research

GLOBAL AND EUROPEAN E-COMMERCE MARKET DEVELOPMENT

According to the 2024 study “The next big arenas of competition” by McKinsey, the global retail e-commerce sector is expected to grow at a compound annual growth rate of 7-9% for the next 16 years. The study also expects Europe’s online retail sales as a percentage of total retail sales to increase from 16% in 2024 to 27% by 2040. A large portion of this growth is expected to be driven by an expansion into new product categories available for online purchase. According to the McKinsey study, consumers are already accessing twice as many online industries as they were before the pandemic.

The 2024 study “Western Europe Ecommerce Forecast 2024: Ecommerce Regains Share of Retail Sales as More People Shop on Mobile Devices” by eMarketer looks at e-commerce in Western Europe, TPG’s regional focus. The study expects Western European e-commerce sales to grow from $630bn in 2023 to $813bn in 2028E. Following the post-pandemic drop in e-commerce sales in 2022 (-3.7% y/y), e-commerce sales are expected to grow by at least 5% p.a. from 2024E to 2028E.

Figure 32: Predicted development of Western European e-commerce sales 2022-2028E



Source: eMarketer, First Berlin Equity Research

The e-commerce market has become a convenient alternative to brick & mortar retail. Due to many improvements to the online shopping infrastructure which have been implemented over the years, the e-commerce experience has also improved. These range from easier and more secure payment methods to faster delivery times and larger product ranges. As more merchants join e-commerce platforms and offer an increased selection of goods, the platforms become more attractive for customers. According to the German Trade Association HDE, there are currently many sectors with low to mid double-digit e-commerce penetration rates, such as jewellery & watches (23%), leisure & hobby (35%) and fashion & accessories (42%). Some sectors such as DIY (do it yourself) (7%) and fast moving consumer goods (FMCG) (5%) on the other hand are greatly underrepresented in online shopping. An increase in the online penetration of the FCMG sector is expected to be another growth driver for the German e-commerce sector according to the HDE.

MANAGEMENT

CEO

Dr Benner received his PhD after studying business administration at the University of St. Gallen and at Insead Fontainebleau. After holding various management positions and power of attorney at Bilfinger Berger, Dr Benner was appointed Managing Director within the juwi Group in 2011, where he held several management and project positions. After he joined the family business in 2012, he completely shifted the company's focus towards e-commerce. From 2013 onwards, he created several platforms such as Schuhe24 and Outfits24, and from 2020, he expanded the platform strategy via multiple M&A transactions.

CFO

Reinhard Hetkamp began his professional career at international auditing and tax consulting firms after studying business administration and law at the Westfälische Wilhelms University in Münster. After having completed his tax advisor exam and working in various positions in consulting for over 10 years, he changed industries. He worked as head of tax assignment, commercial managing director and as member of the extended board. As CFO of TPG, he oversaw the reverse takeover of Fashionette.

Member of the board

Laura Vogelsang started her career at Vodafone after doing her bachelor's and master's in business administration at Ruhr University Bochum and Chemnitz University of Technology. After successfully leading the Risk & Fraud Management Online Team there, she built up the Risk & Payment Team at Fashionette starting in 2018. In 2022, she was promoted to Head of HR and in 2023 to Director People & Office Management. Ms Vogelsang has been a member of the Management Board of The Platform Group AG since May 2023.

SUPERVISORY BOARD

Chairman of the board Stefan Schütze is the chairman of the supervisory board of The Platform Group AG.

Member of the board Jens Wasel is a member of the supervisory board of The Platform Group AG.

Member of the board Dominik Barton is a member of the supervisory board of The Platform Group AG.

Member of the board Florian Müller is a member of the supervisory board of The Platform Group AG.

Member of the board Dr. Olaf Hoppelhäuser is a member of the supervisory board of The Platform Group AG

SHAREHOLDERS & STOCK INFORMATION

Stock Information	
ISIN	DE000A2QEFA1
WKN	A2QEFA
Bloomberg ticker	TPG GR Equity
No. of issued shares	20.238m
Transparency Standard	Medium
Country	Germany
Sector	Application Software
Subsector	E-Commerce

Source: Börse Frankfurt, First Berlin Equity Research

Shareholder Structure	
Benner Holding GmbH	70.0%
Paladin Asset Management	9.9%
Free Float	20.1%

Source: The Platform Group AG

INCOME STATEMENT

All figures in EUR '000	2022A	2023A	2024E	2025E	2026E
Revenues	**387,441**	**440,767**	**511,290**	**603,322**	**654,604**
Cost of goods sold	271,987	325,565	373,242	440,425	477,861
Gross profit	**115,454**	**115,202**	**138,048**	**162,897**	**176,743**
Sales & Marketing	30,609	28,142	32,211	36,199	38,622
Distribution costs	26,293	35,396	39,369	44,042	47,132
Personnel costs	27,117	22,360	27,610	31,976	34,039
Other operating income	28,970	32,842	21,165	12,066	13,092
Other operating expenses	23,418	14,714	16,873	16,893	17,020
EBITDA	**36,986**	**47,431**	**43,150**	**45,852**	**53,023**
PPA effects	20,180	24,859	12,473	0	0
Adjusted EBITDA	**16,806**	**22,572**	**30,677**	**45,852**	**53,023**
Depreciation and amortisation	11,352	7,998	9,622	11,017	11,399
Operating income (EBIT)	**25,634**	**39,433**	**33,529**	**34,836**	**41,624**
Net financial result	-1,121	-6,449	-8,141	-8,883	-7,963
Pre-tax income (EBT)	**24,514**	**32,984**	**25,388**	**25,953**	**33,660**
Income taxes	-274	-329	-254	3,893	6,564
Minority interests	-2,099	-1,097	-900	-700	-500
Net income / loss	**22,689**	**32,216**	**24,742**	**21,360**	**26,596**
Diluted EPS (in €)	**n.m.**	**1.80**	**1.84**	**1.06**	**1.31**
Adjusted EPS (in €)	**n.m.**	**0.41**	**0.61**	**1.06**	**1.31**
Ratios					
Gross margin	29.8%	26.1%	27.0%	27.0%	27.0%
EBITDA margin on revenues	9.5%	10.8%	8.4%	7.6%	8.1%
Adjusted EBITDA margin on revenues	4.3%	5.1%	6.0%	7.6%	8.1%
EBIT margin on revenues	6.6%	8.9%	6.6%	5.8%	6.4%
Net margin on revenues	5.9%	7.3%	4.8%	3.5%	4.1%
Adjusted net margin on revenues	0.6%	1.7%	2.4%	3.5%	4.1%
Tax rate	-1.1%	-1.0%	-1.0%	15.0%	19.5%
Expenses as % of revenues					
Personnel costs	7.0%	5.1%	5.4%	5.3%	5.2%
Depreciation and amortisation	2.9%	1.8%	1.9%	1.8%	1.7%
Other operating expenses	6.0%	3.3%	3.3%	2.8%	2.6%
Y-Y Growth					
Revenues	n.a.	13.8%	16.0%	18.0%	8.5%
Operating income	n.a.	53.8%	-15.0%	3.9%	19.5%
Net income/ loss	n.a.	42.0%	-23.2%	-13.7%	24.5%

BALANCE SHEET

All figures in EUR '000	2022A	2023A	2024E	2025E	2026E
Assets					
Current assets, total	**188,748**	**164,153**	**160,952**	**184,008**	**206,551**
Cash and cash equivalents	12,060	7,616	12,285	35,293	73,965
Receivables	38,069	54,676	70,040	74,382	71,737
Inventories	127,227	92,313	76,693	72,399	58,914
Non-current assets, total	**100,791**	**120,187**	**147,114**	**153,593**	**159,868**
Property, plant & equipment	7,805	9,715	11,990	12,628	13,618
Goodw ill	32,023	43,768	43,768	43,768	43,768
Other intangible assets	59,054	64,024	72,068	77,909	83,194
Other assets	1,909	2,626	19,288	19,288	19,288
Total assets	**289,539**	**284,340**	**308,066**	**337,601**	**366,419**
Shareholders' equity & debt					
Current liabilities, total	**115,520**	**151,386**	**136,698**	**144,174**	**145,895**
Short-term debt	34,029	35,313	28,000	23,000	18,000
Accounts payable	31,026	41,055	35,790	48,266	54,987
Current provisions	4,602	3,019	3,019	3,019	3,019
Other current liabilities	45,863	71,999	71,999	71,999	71,999
Long-term liabilities, total	**83,514**	**51,351**	**81,811**	**81,811**	**81,811**
Long-term debt	69,434	32,325	63,325	63,325	63,325
Leasing liabilities	5,402	6,571	6,571	6,571	6,571
Other liabilities	8,678	12,455	11,915	11,915	11,915
Minority interests	**1,407**	**1,097**	**1,997**	**2,697**	**3,197**
Shareholders' equity	**89,098**	**80,506**	**87,559**	**108,919**	**135,516**
Share capital	17,855	17,855	20,238	20,238	20,238
Capital reserve	51,027	41,190	46,947	46,947	46,947
Other reserves	12,203	10,768	10,768	10,768	10,768
Loss carryforw ard / retained earnings	-12,061	-15,136	9,606	30,966	57,562
Total consolidated equity and debt	**289,539**	**284,340**	**308,066**	**337,601**	**366,419**

Ratios					
Current ratio (x)	1.63	1.08	1.18	1.28	1.42
Quick ratio (x)	0.53	0.47	0.62	0.77	1.01
Net debt	102,207	68,509	87,527	59,519	15,847
Net gearing	115%	85%	100%	55%	12%
Equity ratio	31.3%	28.7%	29.1%	33.1%	37.9%
Book value per share (in €)	n.m.	4.51	4.33	5.38	6.70
Return on equity (ROE)	25.5%	40.0%	28.3%	19.6%	19.6%
Days of sales outstanding (DSO)	36	45	50	45	40
Days inventory outstanding	171	103	75	60	45
Days in payables (DIP)	42	46	35	40	42

CASH FLOW STATEMENT

All figures in EUR '000	2023A	2024E	2025E	2026E
EBIT	**39,592**	**33,529**	**34,836**	**41,624**
Depreciation and amortisation	7,839	9,622	11,017	11,399
EBITDA	**47,431**	**43,150**	**45,852**	**53,023**
Changes in w orking capital	55,486	-5,009	12,428	22,850
Other adjustments	-31,691	-20,360	-12,775	-14,527
Operating cash flow	**71,225**	**17,781**	**45,505**	**61,346**
Investments in PP&E	-18,447	-6,647	-6,033	-6,546
Investments in intangibles	0	-13,294	-11,463	-11,128
Free cash flow	**52,779**	**-2,159**	**28,008**	**43,671**
Acquisitions & disposals, net	-58,949	-25,000	0	0
Investment cash flow	**-77,395**	**-44,940**	**-17,496**	**-17,674**
Debt financing, net	951	23,687	-5,000	-5,000
Equity financing, net	0	8,141	0	0
Other financing	775	0	0	0
Financing cash flow	**1,726**	**31,828**	**-5,000**	**-5,000**
Net cash flows	**-4,444**	**4,669**	**23,008**	**38,671**
Cash, start of the year	12,060	7,616	12,285	35,293
Cash, end of the year	**7,616**	**12,285**	**35,293**	**73,965**
EBITDA/share (in €)	**2.66**	**2.13**	**2.27**	**2.62**

Y-Y Growth				
Operating cash flow	n.m.	-75.0%	155.9%	34.8%
Free cash flow	n.m.	n.m.	n.m.	55.9%
EBITDA/share	n.m.	-19.7%	6.3%	15.6%

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The production of this recommendation was completed on 5 November 2024 at 14:14

Person responsible for forwarding or distributing this financial analysis: Martin Bailey

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- The author, First Berlin, or a company associated with First Berlin holds an interest of more than five percent in the share capital of the analysed company;

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Unless otherwise indicated, current prices refer to the closing prices of the previous trading day.

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ASSET VALUATION SYSTEM

First Berlin's system for asset valuation is divided into an asset recommendation and a risk assessment.

ASSET RECOMMENDATION

The recommendations determined in accordance with the share price trend anticipated by First Berlin in the respectively indicated investment period are as follows:

Category		1	2
Current market capitalisation (in €)		0 - 2 billion	> 2 billion
Strong Buy[1]	An expected favourable price trend of:	> 50%	> 30%
Buy	An expected favourable price trend of:	> 25%	> 15%
Add	An expected favourable price trend of:	0% to 25%	0% to 15%
Reduce	An expected negative price trend of:	0% to -15%	0% to -10%
Sell	An expected negative price trend of:	< -15%	< -10%

[1] The expected price trend is in combination with sizable confidence in the quality and forecast security of management.

Our recommendation system places each company into one of two market capitalisation categories. Category 1 companies have a market capitalisation of €0 – €2 billion, and Category 2 companies have a market capitalisation of > €2 billion. The expected return thresholds underlying our recommendation system are lower for Category 2 companies than for Category 1 companies. This reflects the generally lower level of risk associated with higher market capitalisation companies.

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The First Berlin categories for risk assessment are low, average, high and speculative. They are determined by ten factors: Corporate governance, quality of earnings, management strength, balance sheet and financial risk, competitive position, standard of financial disclosure, regulatory and political uncertainty, strength of brandname, market capitalisation and free float. These risk factors are incorporated into the First Berlin valuation models and are thus included in the target prices. First Berlin customers may request the models.

RECOMMENDATION & PRICE TARGET HISTORY

Report No.:	Date of publication	Previous day closing price	Recommendation	Price target
Initial Report	Today	€7.58	Buy	€16.00

INVESTMENT HORIZON

Unless otherwise stated in the financial analysis, the ratings refer to an investment period of twelve months.

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Legally required information regarding

- **key sources of information in the preparation of this research report**

- **valuation methods and principles**
- **sensitivity of valuation parameters**

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