

Tuesday, 24 August 2021 | initiating report

## Shoper: hold (new)

SHO PW; SHO1.WA | e-commerce, Poland

### Made to Monetize e-Commerce Growth

**Shoper S.A. ("Shoper," the "Company") is a leading Polish provider of SaaS e-commerce software for small and mid-sized digital retailers. Shoper offers an ecosystem of easy-to-use tools that can help to build and maintain an e-commerce Website. By investing in Shoper investors can gain exposure to the fastest-growing segment of the Polish e-commerce market, small and mid-sized retailers, who can tailor-fit their digital sales models with Shoper solutions by adopting omnichannel strategies and integrating their business with a marketplace. Shoper is capable of strong free cash flow to equity generation with its high revenue CAGR (31% in 2021-26E ex. M&A), fat profit margins, and low capital intensity. Since the company's debut on the WSE in June 2021, its share price has increased by 60%. Recently, Shoper acquire Shoplo (the third most popular IT provider for e-shops in Poland), which we took into account in our financial model. We estimate Shoper to be worth PLN 71.50 per share, which implies a hold recommendation. In the coming quarters, Shoper may profit from further consolidation of the Polish SaaS market for online merchants.**

### A compelling value proposition for independent e-retailers

Shoper runs its own app store where e-commerce merchants can find a wide range of helpful solutions for their business. Shoper constantly grows its app store by releasing new features and functionalities, strengthening its ties with users. With Shoper, merchants get the best value for their money, especially when compared to pricing offered by global competition.

### The undisputed Polish leader

In 2020, Shoper controlled 31% (including acquisition of Shoplo in August'21) of the Polish market for e-commerce software (combined open source and SaaS solutions), measured in merchant users, making it the #1 player. Shoper's dominance is even more pronounced in SaaS-only, where more than 27k merchant customers (with Shoplo) make out to a market share of 66%.

### Growing customer base, low churn, increasing ARPU

Shoper grew its merchant base by nearly 20% in 2020 compared to the previous year. The Company registers marginal churn rates as a result of customer migration to other platforms. In the 2018-2020 period, Shoper increased revenues at 33% CAGR on the back of rapidly-rising gross merchandise volumes of its merchants, coupled with increasing penetration of the customer base, a commitment to releasing new services every year, and a shift from a flat fee charging model to pay-as-you-grow approach.

### The convenience of Software-as-a-Service

With Shoper's SaaS solutions retailers do not have to worry about the technical side of running digital stores. The convenience of the SaaS model continues to drive adoption rates at the expense of open source; between 2017 and 2020, the proportion of Polish merchants using SaaS grew from 38% to 42%.

### High cash flow to earnings conversion

Shoper achieved revenue CAGR of 51% in the 2018-20 period, driven by an expanding customer base and fast-paced growth in recurring revenue from existing customers. In 2020, the Company achieved a high EBITDA margin of 43% and showed operating leverage. In 2018-2020 Shoper's operating cash flow-to-EBITDA ratios were in the 96-97% range.

(PLN m)	2019	2020	2021E	2022E	2023E
revenue	27.9	46.9	79.7	120.7	152.4
EBITDA	8.0	19.8	31.3	47.6	63.7
EBITDA margin	28.7%	42.2%	39.2%	39.4%	41.8%
EBIT	5.4	16.7	28.7	43.7	59.0
net profit	3.9	12.5	30.4	34.2	46.3
P/E	545.9	171.2	70.2*	62.5	46.2
P/S	76.8	45.5	26.8	17.7	14.0
P/B	132.7	88.6	50.8	46.7	36.9
EV/EBITDA	267.2	107.0	67.8	44.5	33.1
DPS (PLN)	0.13	0.16	0.44	1.07	1.20
Dividend yield	0.2%	0.2%	0.6%	1.4%	1.6%

\*96.4 ex profit from InSales RUS transaction

current price	PLN 74.98
target price	PLN 71.50
mCap	PLN 1.91bn
free float	PLN 0.53bn
ADTV (20D)	PLN 5.4m

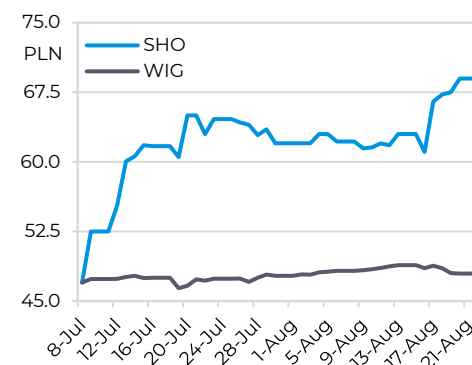
### Shareholders

Krzysztof Krawczyk	12.0%
Rafał Krawczyk	12.0%
KFF S. a r.l.	12.0%
MODHAUS Sp. z o.o.	12.0%
V4C	24.9%
other	27.1%

### About

Shoper is a leading provider of Software-as-a-Service solutions for the e-commerce industry, focused mainly on small and medium enterprises. In addition, Shoper offers a wide range of added-value services to its merchants, from marketing to logistics and payments, as well as running the Shoper Appstore for e-retailers.

### SHO vs. WIG



company	price		recommendation	
	new	old	new	old
Shoper	71.50	-	hold	-

company	price	price	upside
	current	target	
Shoper	74.98	71.50	-4.6%

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**List of abbreviations and ratios used by mBank:**

**EV** (Enterprise Value) – Equity Value + Net Debt; **EBIT** – Earnings Before Interest and Taxes; **EBITDA** – EBIT + Depreciation & Amortisation; **Net Debt** – Borrowings + Debt Securities + Interest-Bearing Loans - Cash and Cash Equivalents; **P/E** (Price/Earnings) – Price Per Share Divided by Earnings Per Share; **P/CE** (Price to Cash Earnings) – Price Per Share Divided by Earnings + Depreciation & Amortisation; **P/B** (Price to Book Value) – Price Per Share Divided by Book Value Per Share; **P/CF** (Price to Cash Flow) – Price Divided by Cash Flow from Operations; **ROE** (Return on Equity) – Earnings Divided by Shareholders' Equity; **ROCE** (Return on Capital Employed) – EBIT x (Average Assets - Current Liabilities); **ROIC** (Return on Invested Capital) – EBIT x (1-Tax Rate) / (Average Equity + Minority Interest + Net Debt); **FCFF** (Free Cash Flow to Firm) – Cash Flow from Operations - CAPEX - Lease Payments; **FCFE** (Free Cash Flow to Equity) – Free Cash Flow to Firm - Net Interest Expense (incl. Debt + Leases) - Lease Payments; **EBITDA margin** - EBITDA/Sales

**OVERWEIGHT (OW)** – a rating which indicates that we expect a stock to outperform the broad market

**NEUTRAL (N)** – a rating which indicates that we expect the stock to perform in line with the broad market

**UNDERWEIGHT (UW)** – a rating which indicates that we expect the stock to underperform the broad market

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**BUY** – we expect that the rate of return from an investment will be at least 15%

**ACCUMULATE** – we expect that the rate of return from an investment will range from 5% to 15%

**HOLD** – we expect that the rate of return from an investment will range from -5% to +5%

**REDUCE** – we expect that the rate of return from an investment will range from -5% to -15%

**SELL** – we expect that an investment will bear a loss greater than 15%

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mBank S.A. was co-offering agent of the issuer's shares in a public offering within the last 12 months.

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**Economic profits** – discounting of future economic profits; the weak point is high sensitivity to changes in the assumptions made in the valuation model.

**Discounted Dividends (DDM)** – discounting of future dividends; the weak point is high sensitivity to changes in the assumptions as to future dividends made in the valuation model.

**NAV** – valuation based on equity value, one of the most frequently used method in case of developing companies; the weak point of the method is that it does not factor in future changes in revenue/profits of a company.

**mBank S.A. did not issue any investment recommendations for Shoper S.A. in the 12 months prior to this publication.**

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