

Friday, 17 November 2023 | update

Shoper: buy (upgraded)

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

Investment in SaaS and e-Commerce

Shoper is the market leader in SaaS IT solutions for small and medium-sized e-commerce businesses in Poland. The Company offers an ecosystem of easy-to-use tools covering a wide range of merchant needs.

An investment in Shoper is an investment in the fastest-growing part of the Polish e-commerce landscape: small and medium-sized merchants, for whom Shoper facilitates the adoption of an omnichannel sales strategy (an own e-commerce website integrated with major marketplaces) that is optimal for their specific brand.

Shoper's share price has dropped almost 20% since mid-September 2023, representing 28 p.p. of underperformance against the WIG index. We would take advantage of this weakness to buy shares in the Company.

We have updated our earnings forecasts for Shoper after Q3 2023 results (we cut forecasts of sales by ca. 10% due to slower development of GMV than we assumed previously and adj. EBITDA left intact). We set our new price target at PLN 36.50, which implies upside potential of 19% and warrants a rating upgrade from hold to buy.

Strong Q3'23 Results

Shoper recorded an omnichannel gross merchandise value of PLN 2.22bn in Q3 2023, up 11% year over year. GMV for stores amounted to PLN 2.01bn in the quarter, implying a y/y rebound of 10%. The double-digit GMV growth was achieved despite a slump in retail sales towards the end of the quarter due to unseasonably warm weather in September. According to Shoper, the lost September demand will most likely shift to October. The take rate improved by 13 bps to 1.86%.

Revenue in 3Q'23 increased 21% y/y, and adjusted EBITDA amounted to PLN 12.1m, driven by rapid business development and process efficiencies. The adjusted EBITDA margin was 32.4% after an increase from 29.3% a year ago.

Shoper Storefront

Shoper recently unveiled one of its key projects, the Shoper Storefront solution which includes a new look and mechanism for online shops, combined with a visual editor and additional sales features. The new solution will be made available to merchants at the turn of 2023. Shopper Storefront not only refreshes the look and feel of e-commerce shops, but also improves the user experience (UX), increases the loading speed of shop websites, and ensures full compliance with Google's ranking factors.

Change in Cooperation with home.pl

Shoper has signed an agreement with home.pl to migrate approx. 3,000 of the online shops of home.pl's customers under a 'private label' model to the Shoper platform. Home.pl will launch online shops under the Shoper brand. Shoper estimates that, by taking over from home.pl, it will increase the value of orders processed on the Shoper platform (GMV) by approximately PLN 1 billion per year. In addition, Shoper will establish a direct relationship with the shop owners, allowing it to sell and recommend Value-Added Services from product families such as Multichannel Sales, Finance and Payments, Digital Advertising, and Logistics.

(PLN m)	2021	2022	2023E	2024E	2025E
revenue	80.2	123.3	153.3	187.4	224.6
EBITDA	26.7	34.8	44.5	54.8	67.7
EBITDA margin	33.3%	28.2%	29.0%	29.2%	30.1%
EBIT	21.6	25.2	30.9	40.8	53.2
net profit	25.2	18.0	24.4	32.5	42.8
P/E	34.7	48.8	35.9	26.9	20.5
P/S	10.9	7.1	5.7	4.7	3.9
P/BV	23.3	22.8	17.6	13.5	10.4
EV/EBITDA	32.6	25.4	19.7	15.8	12.6
DPS (PLN)	0.00	0.00	0.45	0.61	0.82
DYield*	0.0%	0.0%	1.5%	2.0%	2.7%

*total dividend vs. capitalization

current price*	PLN 30.70
target price	PLN 36.50
mCap	PLN 0.90bn
free float	PLN 0.24bn
ADTV (3M)	PLN 0.6m

*Price as of Nov 16, 2023, 5:00 PM

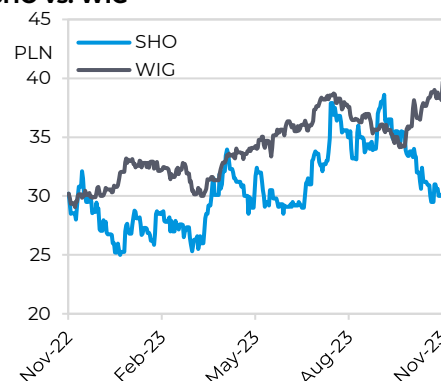
Ownership

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%
Others	27.1%

About Shoper

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 other services to its merchants, from marketing to logistics and payments, as well as running the Shoper Appstore for e-retailers.

SHO vs. WIG



name	target price		recommendation	
	new	old	new	old
Shoper	36.50	38.10	buy	hold
name	current price	target price	upside	
	Shoper	30.70	36.50	+18.9%
forecast update		2023E	2024E	2025E
revenue		-9.3%	-8.8%	-8.3%
EBITDA adj.		+0.8%	+0.1%	+2.4%

Analyst:

Paweł Szpigiel
Equity Analyst, Expert
+48 509 603 258
pawel.szpigiel@mbank.pl



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)
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 10%
HOLD – we expect that the rate of return from an investment will range from 0% to +10%
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DCF – acknowledged as the most methodologically correct method of valuation; it consists in discounting financial flows generated by a company; its weak point is the significant susceptibility to a change of forecast assumptions in the model.

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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 issued the following recommendations for Shoper in the 12 months prior to this publication:

Shoper (Pawel Szpigiel)

Rating	hold	buy	buy
Rating date	2023-10-02	2023-07-03	2022-11-23
Target price (PLN)	38.10	37.40	34.10
Price on rating day	35.50	29.00	28.00

mBank S.A.

Prosta 18
00-850 Warszawa
<http://www.mbank.pl/>

Research Department

Kamil Kliszcz
director
+48 667 770 837
kamil.klischcz@mbank.pl
energy, power generation

Piotr Poniatowski
+48 509 603 046
piotr.poniatowski@mbank.pl
gaming

Mateusz Krupa, CFA
+48 571 608 973
mateusz.krupa@mbank.pl
strategy

Michał Konarski
+48 515 025 640
michal.konarski@mbank.pl
banks, financials

Mikołaj Lemańczyk, CFA
+48 501 663 511
mikolaj.lemanczyk@mbank.pl
banks, financials, property developers

Beata Szparaga-Waśniewska, CFA
+48 510 929 021
beata.szparaga-wasniewska@mbank.pl
biotechnology, healthcare

Paweł Szpigiel
+48 509 603 258
pawel.szpigiel@mbank.pl
media, IT, telco, e-commerce

Janusz Pięta
+48 506 065 659
janusz.pieta@mbank.pl
retail, e-commerce

Konrad Anuszkiewicz, CFA
+48 510 478 019
konrad.anuszkiewicz@mbank.pl
industrials, mining

Sales and Trading

Traders

Piotr Gawron
director
+48 698 832 853 | +48 22 697 48 95
piotr.gawron@mbank.pl

Andrzej Kowalczyk
+48 789 868 634 | +48 22 697 47 44
andrzej.kowalczyk@mbank.pl

Karol Kułaj
+48 509 602 984 | +48 22 697 49 85
karol.kulaj@mbank.pl

Sales, Foreign Markets

Marzena Łempicka-Wilim
deputy director
+48 696 427 249 | +48 22 697 48 82
marzena.lempicka-wilim@mbank.pl

Private Client Sales

Maciej Sokołowski
director
maciej.sokolowski@mbank.pl

Jarosław Banasiak
deputy director
jaroslaw.banasiak@mbank.pl

Paweł Cyłkowski
+48 503 684 130 | +48 22 697 47 31
pawel.cylkowski@mbank.pl

Andrzej Sychowski
+48 605 848 003 | +48 22 697 48 46
andrzej.sychowski@mbank.pl

Piotr Brożyna
+48 512 756 702 | +48 22 697 48 47
piotr.brozyna@mbank.pl

Łukasz Płaska
+48 784 449 962 | +48 22 697 47 90
lukasz.plaska@mbank.pl