

Hold (old: Buy)

06.05.2024

EUR 2.70 (old: EUR 5.00)

Mixed Q4 // Weaker-than-expected guidance; est. & PT chg.

elumeo published mixed Q4'23 that continue to be affected by a lingering macroeconomic slowdown. Here are our key takeaways:

The company's FY sales were slightly better than feared, but still burdened by muted consumer sentiment in the eurozone. **Sales for FY came in flat at € 45.4m** (-1% yoy; eNuW: € 44.7m), bolstered by increased spending in S&M and healthy return to customer growth (+9.3% yoy to 83k). While, the company saw another sharp decline in its average sales price, which declined to € 73 (-10% yoy) as customers postponed big ticket item purchases, items sold partially offset this downward movement and recovered to 623k (+10% yoy).

Having said that, the company's **EBIT declined sharply and came in negative at € -2.9m or -6.3% of sales** (-3.2ppts; eNuW: € -1.2m). According to management, operating losses worsened as a result of increased investments in TV web sales channels and inflation-related decline in the gross profit margin. We note that the decline in the gross profit margin is concerning as it also suggests **limited pricing power and increasing competition** and have adjusted our estimates for FY24e and beyond accordingly. During the earnings call, management addressed ongoing margin issues by introducing a more restrictive return policy, increasing airtime for higher-margin products and utilizing AI in customer support. In our view, margin improvements will likely come at the cost of lower top-line growth, reflected in our slashed sales estimates.

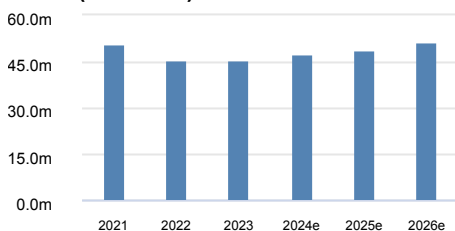
As flagged in our last update, **while jooli demonstrates a positive development, we currently do not expect any material top or bottom line contributions from in the foreseeable future**. The company's video-shopping platform exhibited a GMV of c. € 4,558 (eNuW: € 16,110) in March 2024, with the number of orders totalling 1,353. Moreover, management set the take rate (referral fee) at 7.50% of GMV. In our view, the slower-than-expected growth of jooli makes substantial revenue and margin contributions unlikely during the foreseeable future.

- continued -

Y/E 31.12 (EUR m)	2021	2022	2023	2024e	2025e	2026e
Sales	50.7	45.8	45.4	47.3	49.2	51.2
Sales growth	19.5%	-9.5%	-1.0%	4.2%	4.0%	4.0%
EBITDA	3.0	-0.5	-2.0	-1.9	-1.1	-1.1
Net debt (if net cash=0)	-0.6	2.2	3.4	3.2	2.1	0.6
FCF	0.8	-1.5	-0.1	0.3	1.1	1.5
Net Debt/EBITDA	0.0	-4.8	-1.7	-1.7	-1.9	-0.5
EPS pro forma	2.36	-0.57	-0.58	-0.47	-0.33	-0.33
EBITDA margin	5.9%	-1.0%	-4.3%	-4.0%	-2.2%	-2.1%
ROCE	3.0%	-2.1%	-4.4%	-4.1%	-2.7%	-2.7%
EV/sales	0.2	0.3	0.4	0.3	0.3	0.3
EV/EBITDA	4.2	-31.2	-8.1	-8.4	-13.7	-12.3
PER	1.0	-4.0	-3.9	-4.8	-6.9	-6.9
Adjusted FCF yield	2.7%	-1.8%	-19.4%	-16.0%	-11.8%	-13.1%

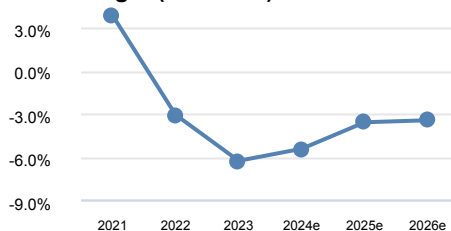
Source: Company data, NuWays, Close price as of 22.04.2024

Sales (2021-26e)



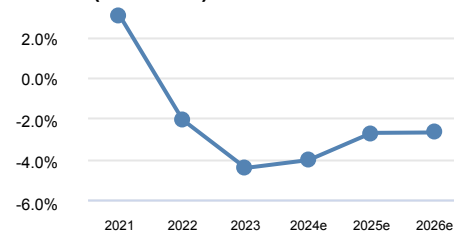
Source: NuWays Research

EBIT margin (2021-26e)



Source: NuWays Research

ROCE (2021-26e)



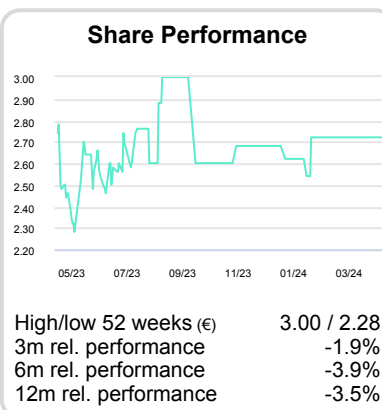
Source: NuWays Research

Company description

elumeo is a leading company in the area of electronic distribution of high-quality gemstone jewelry making it an affordable luxury for everyone.

Guidance

- 2024 Sales growth: 4-8%
- 2024 Adj. EBITDA: € 1.5-3.5m
- 2024 Gross margin: 49-51%



Market data

Share price (in €)	2.72
Market cap (in € m)	12.9
Number of shares (in m pcs)	5.7
Enterprise value (in € m)	15.7
Ø trading volume (6 months)	3,564

Identifier

Bloomberg	ELB GR
Reuters	ELB.DE
WKN	A11Q05
ISIN	DE000A11Q059

Key shareholders

Freefloat	62.5%
Blackflint Ltd.	25.8%
Management	11.7%

Estimates changes

	2024e	2025e	2026e
Sales	2%	-1%	-8%
EBIT	-1287%	-270%	-207%
EPS	-853%	-299%	-220%

- #### Comment on changes
- 2026e shown for the first time
 - Changes reflect softer-than-expected and delayed top and bottom line contributions from jooli and higher-than-expected COGS and SG&A going forward

The company's long-term outlook is mixed, reflected in its issued FY24 guidance. While sales are expected to grow 4-8% yoy (eNuW: 4.2%), the gross margin is seen to come in at 49-51% (eNuW new: 50.5%; eNuW old: 54%), thus significantly below our expectations. Long-term, we see elumeo growing its sales moderately by 4.6% p.a. to € 54.3m due to (1) favorable performance in the company's webshop (2) the continued and promising development of an interactive mobile jewellery shopping app and (3) AI translated automated shopping shows which should likely boost video shopping content globally. However, we note that this growth likely comes at the expenses of lower-than-expected EBIT profitability due to continued inflationary pressures and the need for continued investments in marketing.

Considering the above-mentioned challenges the company is beset with, **we adjust our rating to HOLD under the present circumstances with a new PT of € 2.70** (old: € 5.00) based on DCF.

Financials

Profit and loss (EUR m)	2021	2022	2023	2024e	2025e	2026e
Sales	50.7	45.8	45.4	47.3	49.2	51.2
Sales growth	19.5%	-9.5%	-1.0%	4.2%	4.0%	4.0%
Cost of sales	21.8	20.7	22.7	23.4	24.1	24.8
Gross profit	28.9	25.2	22.7	23.9	25.1	26.4
Sales and marketing	18.7	18.0	16.9	18.2	18.5	19.1
General and administration	8.3	8.8	8.9	8.8	8.9	9.0
Research and development	0.0	0.0	0.0	0.0	0.0	0.0
Other operating income	0.5	0.6	0.9	0.6	0.6	0.3
Other operating expenses	0.3	0.4	0.6	0.1	0.1	0.4
Total operating expenses	26.9	26.6	25.6	26.5	26.9	28.1
Unusual or infrequent items	0.0	0.0	0.0	0.0	0.0	0.0
EBITDA	3.0	-0.5	-2.0	-1.9	-1.1	-1.1
Depreciation	1.0	0.9	0.9	0.7	0.7	0.7
Amortisation of goodwill	0.0	0.0	0.0	0.0	0.0	0.0
Amortisation of intangible assets	0.0	0.0	0.0	0.0	0.0	0.0
Impairment charges	0.0	0.0	0.0	0.0	0.0	0.0
EBIT (inc revaluation net)	2.0	-1.4	-2.9	-2.6	-1.8	-1.8
Interest income	0.0	0.0	0.0	0.0	0.0	0.0
Interest expenses	0.1	0.1	0.1	0.1	0.1	0.1
Investment income	0.0	0.0	0.0	0.0	0.0	0.0
Financial result	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
Recurring pretax income from continuing operations	1.9	-1.5	-3.0	-2.7	-1.9	-1.9
Extraordinary income/loss	0.0	0.0	0.0	0.0	0.0	0.0
Earnings before taxes	1.9	-1.5	-3.0	-2.7	-1.9	-1.9
Income tax expense	-3.5	1.9	0.3	0.0	0.0	0.0
Net income from continuing operations	5.4	-3.4	-3.3	-2.7	-1.9	-1.9
Income from discontinued operations (net of tax)	3.8	0.1	0.0	0.0	0.0	0.0
Net income	9.2	-3.3	-3.3	-2.7	-1.9	-1.9
Minority interest	0.0	0.0	0.0	0.0	0.0	0.0
Net profit (reported)	9.2	-3.3	-3.3	-2.7	-1.9	-1.9
Average number of shares	5.5	5.5	5.7	5.7	5.7	5.7
EPS reported	1.68	-0.59	-0.58	-0.47	-0.33	-0.33

Profit and loss (common size)	2021	2022	2023	2024e	2025e	2026e
Sales	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Cost of sales	43.0%	45.1%	50.0%	49.5%	49.0%	48.5%
Gross profit	57.0%	54.9%	50.0%	50.5%	51.0%	51.5%
Sales and marketing	37.0%	39.2%	37.3%	38.5%	37.5%	37.2%
General and administration	16.5%	19.2%	19.7%	18.5%	18.0%	17.5%
Research and development	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Other operating income	0.9%	1.2%	1.9%	1.3%	1.1%	0.6%
Other operating expenses	0.5%	0.9%	1.2%	0.2%	0.2%	0.8%
Total operating expenses	53.1%	58.0%	56.3%	55.9%	54.6%	54.9%
Unusual or infrequent items	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
EBITDA	5.9%	-1.0%	-4.3%	-4.0%	-2.2%	-2.1%
Depreciation	2.0%	2.1%	2.0%	1.5%	1.4%	1.4%
Amortisation of goodwill	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Amortisation of intangible assets	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Impairment charges	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
EBIT (inc revaluation net)	3.9%	-3.1%	-6.3%	-5.4%	-3.6%	-3.4%
Interest income	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Interest expenses	0.1%	0.1%	0.2%	0.2%	0.2%	0.2%
Investment income	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Financial result	neg.	neg.	neg.	neg.	neg.	neg.
Recurring pretax income from continuing operations	3.8%	-3.2%	-6.5%	-5.6%	-3.8%	-3.6%
Extraordinary income/loss	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Earnings before taxes	3.8%	-3.2%	-6.5%	-5.6%	-3.8%	-3.6%
Tax rate	-183.4%	-131.1%	-10.9%	0.0%	0.0%	0.0%
Net income from continuing operations	10.7%	-7.4%	-7.2%	-5.6%	-3.8%	-3.6%
Net income	18.2%	-7.1%	-7.2%	-5.6%	-3.8%	-3.6%
Minority interest	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Net profit (reported)	18.2%	-7.1%	-7.2%	-5.6%	-3.8%	-3.6%

Source: Company data, NuWays

Balance sheet (EUR m)	2021	2022	2023	2024e	2025e	2026e
Intangible assets	2.5	2.3	1.8	1.8	1.8	1.8
Property, plant and equipment	1.4	0.9	0.6	0.6	0.6	0.6
Financial assets	0.1	0.1	0.2	0.2	0.2	0.2
FIXED ASSETS	3.9	3.3	2.6	2.6	2.6	2.6
Inventories	13.1	13.0	13.2	13.7	14.3	14.9
Accounts receivable	2.3	1.7	2.3	2.1	2.2	2.2
Other assets and short-term financial assets	1.6	1.1	1.1	1.1	1.1	1.1
Liquid assets	2.8	1.4	1.3	1.6	2.7	4.2
Deferred taxes	4.2	2.2	1.6	1.6	1.6	1.6
Deferred charges and prepaid expenses	0.0	0.0	0.0	0.0	0.0	0.0
CURRENT ASSETS	23.9	19.4	19.6	20.2	21.9	24.1
TOTAL ASSETS	27.9	22.7	22.2	22.7	24.5	26.7
SHAREHOLDERS EQUITY	13.7	10.6	7.4	9.1	10.6	12.6
MINORITY INTEREST	0.0	0.6	0.0	0.0	0.0	0.0
Provisions for pensions and similar obligations	0.5	0.1	0.1	0.1	0.1	0.1
Other provisions and accrued liabilities	4.3	2.5	1.7	1.7	1.7	1.7
Short-term liabilities to banks	0.5	0.7	1.1	1.1	1.1	1.1
Accounts payable	5.9	4.9	8.0	6.2	6.4	6.6
Advance payments received on orders	0.1	0.0	0.1	0.1	0.1	0.1
Other liabilities (incl. from lease and rental contracts)	0.4	0.4	0.5	0.5	0.5	0.5
Deferred taxes	0.0	0.0	0.0	0.0	0.0	0.0
Deferred income	0.0	0.0	0.0	0.0	0.0	0.0
CURRENT LIABILITIES	6.5	5.4	8.5	6.8	7.0	7.1
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	27.9	22.7	22.2	22.7	24.5	26.7
Balance sheet (common size)	2021	2022	2023	2024e	2025e	2026e
Intangible assets	8.9%	10.3%	8.2%	8.0%	7.5%	6.9%
Property, plant and equipment	4.9%	4.1%	2.6%	2.6%	2.4%	2.2%
Financial assets	0.3%	0.3%	0.7%	0.7%	0.7%	0.6%
FIXED ASSETS	14.1%	14.7%	11.6%	11.3%	10.6%	9.7%
Inventories	47.1%	57.3%	59.5%	60.4%	58.4%	55.8%
Accounts receivable	8.1%	7.5%	10.6%	9.1%	8.8%	8.4%
Other assets and short-term financial assets	5.8%	4.8%	5.1%	5.0%	4.6%	4.3%
Liquid assets	9.9%	6.2%	6.1%	7.1%	11.1%	15.8%
Deferred taxes	14.9%	9.5%	7.2%	7.0%	6.5%	6.0%
Deferred charges and prepaid expenses	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
CURRENT ASSETS	85.9%	85.3%	88.4%	88.7%	89.4%	90.3%
TOTAL ASSETS	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
SHAREHOLDERS EQUITY	49.2%	46.7%	33.3%	40.0%	43.5%	47.3%
MINORITY INTEREST	0.0%	2.4%	0.0%	0.0%	0.0%	0.0%
Provisions for pensions and similar obligations	1.7%	0.6%	0.6%	0.6%	0.5%	0.5%
Other provisions and accrued liabilities	15.5%	10.8%	7.8%	7.6%	7.0%	6.5%
Short-term liabilities to banks	1.7%	3.1%	5.0%	4.9%	4.5%	4.1%
Accounts payable	21.3%	21.7%	35.9%	27.3%	26.1%	24.7%
Advance payments received on orders	0.5%	0.2%	0.4%	0.4%	0.4%	0.4%
Other liabilities (incl. from lease and rental contracts)	1.3%	2.0%	2.1%	2.0%	1.9%	1.7%
Deferred taxes	0.0%	0.2%	0.0%	0.0%	0.0%	0.0%
Deferred income	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
CURRENT LIABILITIES	23.2%	23.9%	38.4%	29.8%	28.4%	26.8%
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: Company data, NuWays

Cash flow statement (EUR m)	2021	2022	2023	2024e	2025e	2026e
Net profit/loss	5.8	-1.3	-2.9	-2.6	-1.8	-1.9
Depreciation of fixed assets (incl. leases)	1.0	0.9	0.9	0.7	0.7	0.7
Amortisation of goodwill & intangible assets	0.0	0.0	0.0	0.0	0.0	0.0
Other costs affecting income / expenses	0.0	0.3	0.1	4.0	3.0	3.5
Cash flow from operating activities	1.2	-1.4	-0.1	0.7	1.5	1.9
Increase/decrease in inventory	-1.0	0.1	-0.1	-0.6	-0.6	-0.6
Increase/decrease in accounts receivable	-1.0	1.3	-0.6	0.3	-0.1	-0.1
Increase/decrease in accounts payable	-0.8	-0.1	3.0	-1.7	0.2	0.2
Increase/decrease in other working capital positions	-0.3	-0.1	-0.0	0.0	0.0	0.0
Increase/decrease in working capital	-3.2	1.2	2.2	-2.0	-0.5	-0.5
Cash flow from operating activities	1.2	-1.4	-0.1	0.7	1.5	1.9
CAPEX	0.4	0.1	-0.0	0.4	0.4	0.4
Payments for acquisitions	0.0	0.0	0.0	0.0	0.0	0.0
Financial investments	0.0	0.0	0.0	0.0	0.0	0.0
Income from asset disposals	0.0	0.0	0.0	0.0	0.0	0.0
Cash flow from investing activities	-0.4	-0.1	-0.0	-0.4	-0.4	-0.4
Cash flow before financing	1.8	-0.5	0.8	1.0	1.8	2.2
Increase/decrease in debt position	0.0	0.6	0.5	0.0	0.0	0.0
Purchase of own shares	0.0	0.0	0.0	0.0	0.0	0.0
Capital measures	0.0	0.0	0.0	0.0	0.0	0.0
Dividends paid	0.0	0.0	0.0	0.0	0.0	0.0
Others	-0.4	-0.4	-0.4	0.0	0.0	0.0
Effects of exchange rate changes on cash	0.0	0.0	-0.1	0.0	0.0	0.0
Cash flow from financing activities	-0.4	0.1	0.0	0.0	0.0	0.0
Increase/decrease in liquid assets	1.4	-0.4	0.8	1.0	1.8	2.2
Liquid assets at end of period	2.8	1.4	1.3	1.6	2.7	4.2

Key ratios (EUR m)	2021	2022	2023	2024e	2025e	2026e
P&L growth analysis						
Sales growth	19.5%	-9.5%	-1.0%	4.2%	4.0%	4.0%
EBITDA growth	-1100.3%	-172.8%	-165.9%	305.1%	-45.8%	-43.2%
EBIT growth	-184.2%	369.6%	-244.3%	83.4%	-38.1%	-31.5%
EPS growth	-457.5%	-1650.5%	-134.5%	-20.2%	-43.2%	-30.4%
Efficiency						
Sales per employee	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
EBITDA per employee	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
No. employees (average)	0	0	0	0	0	0
Balance sheet analysis						
Avg. working capital / sales	18.0%	17.7%	18.5%	20.4%	17.7%	19.5%
Inventory turnover (sales/inventory)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Accounts receivable turnover	16.3	13.6	13.6	16.0	16.0	16.0
Accounts payable turnover	99.5	87.4	96.8	96.8	96.8	96.8
Cash flow analysis						
Free cash flow	0.8	-1.5	-0.1	0.3	1.1	1.5
Free cash flow/sales	1.6%	-3.2%	-0.2%	0.6%	2.3%	2.9%
FCF / net profit	14.3%	113.5%	2.8%	neg.	neg.	neg.
Capex / sales	0.7%	0.1%	-0.0%	0.8%	0.8%	0.8%
Solvency						
Net debt	-0.6	2.2	3.4	3.2	2.1	0.6
Net Debt/EBITDA	0.0	-4.8	-1.7	-1.7	-1.9	-0.5
Dividend payout ratio	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Interest paid / avg. debt	3.9%	2.6%	3.1%	2.6%	2.2%	2.2%
Returns						
ROCE	3.0%	-2.1%	-4.4%	-4.1%	-2.7%	-2.7%
ROE	67.4%	-30.6%	-44.5%	-29.4%	-17.5%	-14.8%
Adjusted FCF yield	2.7%	-1.8%	-19.4%	-16.0%	-11.8%	-13.1%
Dividend yield	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
DPS	0.0	0.0	0.0	0.0	0.0	0.0
EPS reported	1.68	-0.59	-0.58	-0.47	-0.33	-0.33
Average number of shares	5.5	5.5	5.7	5.7	5.7	5.7
Valuation ratios						
P/BV	0.9	1.2	1.7	1.4	1.2	1.0
EV/sales	0.2	0.3	0.4	0.3	0.3	0.3
EV/EBITDA	4.2	-31.2	-8.1	-8.4	-13.7	-12.3
EV/EBIT	6.3	-10.3	-5.6	-6.1	-8.3	-7.4

Source: Company data, NuWays

Disclosures

Disclosures regarding research publications of NuWays AG pursuant to section 85 of the German Securities Trading Act (WpHG)

Indication of conflict of interest

It is essential that any research recommendation is fairly presented and discloses interests of indicates relevant conflicts of interest. Pursuant to section 85 of the German Securities Trading Act (WpHG) a research report has to point out possible conflicts of interest in connection with the analysed company. A conflict of interest is presumed to exist in particular if NuWays AG

- (1) or any other person belonging to the same group with it was part of a consortium within the past twelve months that issued the financial instruments of the analysed company by way of a public offer.
- (2) or any other person belonging to the same group with it has entered into an agreement on the production of the research report with the analysed company.
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Company	Disclosures
elumeo SE	2,8

Historical target price and rating changes for elumeo SE

Company	Date	Analyst	Rating	Target Price	Close
elumeo SE	01.02.2024	Jarchow, Frederik	Buy	EUR 5.00	EUR 2.62
	12.11.2023	Jarchow, Frederik	Buy	EUR 5.50	EUR 2.60
	13.08.2023	Jarchow, Frederik	Buy	EUR 5.70	EUR 2.76
	28.07.2023	Jarchow, Frederik	Buy	EUR 5.50	EUR 2.60
	07.07.2023	Jarchow, Frederik	Buy	EUR 6.00	EUR 2.50

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The adj. FCF method is based on the assumption that investors purchase assets only at a price (enterprise value) at which the operating cash flow return after taxes on this investment exceeds their opportunity costs in the form of a hurdle rate of 7.5%. The operating cash flow is calculated as EBITDA less maintenance capex and taxes.

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According to Article 4(1) No. i of the delegated regulation 2016/958 supplementing regulation 596/2014 of the European Parliament, further information regarding investment recommendations of the last 12 months are published under: www.nuways-ag.com

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