

Cloud revenues still good in Q1, but orders clearly below last year

Intershop reported still good cloud revenues and a strong ARR number in Q1, but most other KPI were below last year's level. In particular, incoming cloud orders were 70% below the strong Q1 2022, which usually does not bode well for the coming quarters. This was due to softening demand from customers against the backdrop of challenging macroeconomic environment. However, Intershop believes that demand will pick up in the coming quarters and thus sticks to full year guidance, which points to an increase of incoming cloud orders and net new ARR by at least 10%, group revenues by 10% and an EBIT around break-even. We had a buy rating on the stock so far, PT EUR 3.90.

Intershop		Actual			Pareto		Pareto (pre Q1)	
		Q1 2022	Q1 2023	yoy (%)	Q1 2023	Delta (%)	2023e	2024e
Revenues	EURm	9.2	8.9	-4	10.0	-11	39.4	43.5
of which: Licenses	"	0.8	0.2	(80)	0.7	-78	9.2	8.9
of which: Maintenance	"	2.1	1.8	(13)	1.8	-2	7.6	7.4
of which: Cloud / Subscription	"	3.1	3.7	20	4.1	-9	16.9	21.0
of which: Services	"	3.2	3.2	(2)	3.3	-4	13.3	13.6
Gross profit	"	4.5	3.6	-20	4.3	-16	19.5	23.7
margin	%	49.0%	40.7%	-827 BP	43.0%	-232 BP	49.4%	54.5%
EBIT	EURm	0.0	(0.9)	nm	(0.4)	137	(0.1)	2.5
margin	%	0.3%	-9.7%	-999 BP	(3.6)%	-604 BP	(0.2)%	5.8%
Other cloud-related KPI								
Incoming cloud orders	EURm	8.7	2.6	(70)	9.2	-71	28.5	31.3
ARR from cloud	"	13.0	15.7	21	16.0	-2	18.1	22.2
New ARR	"	0.7	0.4	(47)	0.8	-52	3.5	5.0
Net new ARR	"	0.8	0.3	(67)	0.6	-54	2.7	4.1
Implied churn	"	(0.1)	0.1	(195)	0.2	-46	0.8	0.9

Source: Pareto, Company data

More details from the report:

- An increase of incoming cloud orders by 10% for 2023 implies orders worth EUR 28.5m. Thus, Intershop needs to win orders worth EUR 26m during the remainder of the year in order to deliver on their guidance, on average EUR 8-9m per quarter.
- Service revenues remained at last year's (low) level. However, segment's issues are largely resolved, according to Intershop, which should lead to improving results until the end of the year.
- Intershop had a strong quarter in the US and saw a revenue share that increased y/y from 17% to 21%.
- R&D expenses were down by 5% y/y.
- Positively, operating FCF was at EUR 1.3m in the quarter. Cash was up 6% to EUR 11.1m.
- There will be an analyst call today at 13:30.

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