

30 September 2022

**Intershop Communications AG**

**Rating** Buy (Buy)  
**Share price (EUR)** 3.01  
**Target price (EUR)** 6.00 (6.20)

**Bloomberg** ISHA GR  
**Sector** Retail

**Share data**

Shares out (m) 14.2  
Daily volume shs (m) 0.0  
Free float (%) 62.40  
Market cap (EUR m) 43  
EV (EUR m) 46  
DPS (EUR) 0.00  
Dividend yield (%) 0.0  
Payout ratio (%) 0.0

**Performance**

ytd (%) -25.3  
12 months (%) -42.8  
12 months rel. (%) -13.4  
Index TecDAX

**Share price performance**



Source: Bloomberg

**Next triggers**

26.10.2022: Q2 results

**Analysts**

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## Guidance adjustment – but still undervalued

Today, on September 30, the management board of Intershop decided to lower the forecast for 2022. Management now projects revenues at the prior year level (before: revenue growth of approx. 10% yoy) and a negative EBIT in the lower single-digit million-euro range (previously: positive EBIT of at least EUR 1.0m). Main reason is the performance of the service business, that is below expectations. According to management, some projects in this segment were signed although they were not economical and diluted the margin. There has already been a management change and restructuring measures implemented. However, more importantly, the cloud business has shown strong growth and management expects it to perform to plan also in the remaining months of 2022. The forecasts for incoming cloud orders and net new ARR remain unchanged at 20% and 10% growth, respectively.

We adjust our estimates according to the lowered guidance and slightly lower our target price from EUR 6.20 to EUR 6.00, based on our DCF model and reiterate our Buy recommendation. In our view, the current share price does not reflect the long-term potential of Intershop.

**Cloud transformation still intact**

In our view, the recurring cloud transformation provides a solid foundation to further expand margins and growth. In our view, the company's risk profile improved over the last year, also due to the higher share of recurring revenues and higher stability and predictability that comes with it. The strategy to significantly increase their footprint by extending their partner ecosystem seems also quite promising.

Key figures		2020	2021	2022e	2023e	2024e
Sales	EUR m	34	36	36	39	43
EBITDA	EUR m	4	4	0	4	5
EBIT	EUR m	1	1	-3	1	2
EPS	EUR	0.05	0.06	-0.27	-0.03	0.01
Sales growth	%	6.3	7.1	0.0	9.0	8.5
EBITDA margin	%	13.3	12.3	-0.1	10.7	11.3
EBIT margin	%	3.1	3.6	-8.5	3.5	5.0
Net margin	%	2.2	2.4	-10.5	-1.2	0.2
EV/Sales	ratio	1.05	1.58	1.28	1.17	1.08
EV/EBITDA	ratio	7.9	12.9	-1338.2	11.0	9.6
EV/EBIT	ratio	33.8	43.5	-15.1	33.6	21.5
P/E	ratio	58.5	48.9	-11.3	-91.5	459.6
P/BV	ratio	2.6	2.5	3.1	3.2	3.2
Dividend yield	%	0.0	0.0	0.0	0.0	0.0

Source: Bloomberg, Company data, Quirin Privatbank estimates

## DCF Valuation

We have derived our target price for Intershop from our DCF model. With a WACC of 6.80% (resulting from a risk-free rate of 2%, market premium of 5% and a beta of 1.0), a midterm revenue CAGR 2021-2024 of 5.8% fading to a perpetual growth rate of 1.5% and a sustainable long-term EBIT margin of 15% our DCF model derives a fair value of EUR 6.00 per share. Hence, we reiterate our Buy recommendation.

### DCF Model for Intershop Communications AG

(EUR m)	2022e	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	TV
<b>Sales</b>	<b>36.0</b>	<b>39.2</b>	<b>42.6</b>	<b>45.5</b>	<b>48.7</b>	<b>51.7</b>	<b>54.4</b>	<b>56.7</b>	<b>58.6</b>	<b>60.0</b>	
growth yoy	0.0%	9.0%	8.5%	7.0%	7.0%	6.1%	5.2%	4.3%	3.4%	2.5%	
<b>EBIT</b>	<b>-3.1</b>	<b>1.4</b>	<b>2.1</b>	<b>3.6</b>	<b>4.4</b>	<b>5.3</b>	<b>6.2</b>	<b>7.1</b>	<b>8.1</b>	<b>9.0</b>	
EBIT margin	-8.5%	3.5%	5.0%	7.8%	9.0%	10.2%	11.4%	12.6%	13.8%	15.0%	
<b>Taxes</b>	<b>0.8</b>	<b>-0.3</b>	<b>-0.6</b>	<b>-1.1</b>	<b>-1.3</b>	<b>-1.6</b>	<b>-1.9</b>	<b>-2.1</b>	<b>-2.4</b>	<b>-2.7</b>	
Tax rate	25%	25%	30%	30%	30%	30%	30%	30%	30%	30%	
<b>Depreciation</b>	<b>3.0</b>	<b>2.8</b>	<b>2.7</b>	<b>2.7</b>	<b>2.7</b>	<b>3.3</b>	<b>3.6</b>	<b>3.9</b>	<b>4.1</b>	<b>4.2</b>	
% of sales	8.4%	7.2%	6.3%	5.9%	5.6%	6.3%	6.7%	6.8%	6.9%	7.0%	
<b>Capex</b>	<b>-2.9</b>	<b>-2.7</b>	<b>-3.0</b>	<b>-3.2</b>	<b>-3.4</b>	<b>-3.6</b>	<b>-3.8</b>	<b>-4.0</b>	<b>-4.1</b>	<b>-4.2</b>	
% of sales	8.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	
<b>Δ NWC</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	
% of sales	0.0%	-0.1%	-0.1%	-0.1%	-0.1%	-0.1%	-0.1%	-0.1%	-0.1%	-0.1%	
<b>FCF</b>	<b>-2.1</b>	<b>1.1</b>	<b>1.2</b>	<b>2.0</b>	<b>2.4</b>	<b>3.4</b>	<b>4.2</b>	<b>4.9</b>	<b>5.6</b>	<b>6.3</b>	<b>122.3</b>
growth yoy	n.m.	n.m.	5.6%	65.3%	216%	38.9%	24.4%	18.0%	14.4%	12.3%	1.5%
<b>PV FCF</b>	<b>-2.1</b>	<b>1.0</b>	<b>1.0</b>	<b>1.6</b>	<b>1.8</b>	<b>2.4</b>	<b>2.8</b>	<b>3.1</b>	<b>3.3</b>	<b>3.4</b>	<b>66.6</b>

Enterprise value	85	PV Forecast Period	18	Risk free rate	2.00%
- Net Debt / Net Cash	-0.2	PV Terminal Value	67	Cost of debt	3.00%
- Pension Provisions	0			Market Premium	5.00%
Equity value	85			Equity ratio	100%
Number of shares	14.2			Company beta	1.0
Value per share (€)	6.00			WACC	6.80%

Source: Quirin Privatbank

## Profit &amp; loss statement

Profit & loss statement (EUR m)	2020	YOY	2021	YOY	2022e	YOY	2023e	YOY	2024e	YOY
Sales	33.6	6.3 %	36.0	7.1 %	36.0	0.0 %	39.2	9.0 %	42.6	8.5 %
Cost of sales	-17.9		-18.6		-18.6		-20.3		-22.0	
Gross profit	15.7		17.4		17.4		19.0		20.6	
Selling expenses	-7.7		-7.7		-7.5		-8.0		-8.5	
General administrative expenses	-3.1		-3.3		-3.3		-3.6		-3.9	
Research and development costs	-3.8		-5.7		-5.7		-6.2		-6.7	
Other operating income	0.5		0.9		-3.6		0.6		1.0	
Other operating expenses	-0.5		-0.4		-0.4		-0.4		-0.5	
EBITDA	4.5	-292.3 %	4.4	-1.0 %	0.0	-100.8 %	4.2	-12286.7 %	4.8	14.1 %
EBITDA margin (%)	13.30		12.29		-0.10		10.71		11.27	
EBIT	1.0	-116.1 %	1.3	25.5 %	-3.1	-333.6 %	1.4	-144.9 %	2.1	55.0 %
EBIT margin (%)	3.11		3.64		-8.50		3.50		5.00	
Net interest	-0.1		-0.4		-2.0		-2.0		-2.0	
Net financial result	-0.1		-0.4		-2.0		-2.0		-2.0	
Exceptional items	0.0		0.0		0.0		0.0		1.0	
Pretax profit	0.9	-113.6 %	0.9	2.9 %	-5.1	-644.7 %	-0.6	-87.7 %	0.1	-121.3 %
Pretax margin (%)	2.68		2.58		-14.04		-1.59		0.31	
Taxes	-0.1		-0.1		1.3		0.2		0.0	
Tax rate (%)	12.08		12.72		25.00		25.00		30.00	
Earnings after taxes	0.8		0.8		-3.8		-0.5		0.1	
Group attributable income	0.7	-111.0 %	0.9	19.6 %	-3.8	-534.3 %	-0.5	-87.7 %	0.1	-119.9 %
No. of shares (m)	14.2		14.2		14.2		14.2		0.0	
Earnings per share (EUR)	0.05	-110.4 %	0.06	19.6 %	-0.27	-534.3 %	-0.03	-87.7 %	0.01	-119.9 %

Source: Company data, Quirin Privatbank estimates

## Balance sheet

Balance sheet (EUR m)	2020	YOY	2021	YOY	2022e	YOY	2023e	YOY	2024e	YOY
<b>Assets</b>										
Cash and cash equivalents	11.6		12.2		8.6		8.6		8.9	
Accounts receivables	3.9		5.0		5.0		5.5		5.9	
Other current assets	0.0		0.9		0.9		0.9		0.9	
Tax claims	0.1		0.1		0.1		0.1		0.1	
<b>Total current assets</b>	<b>16.5</b>	<b>13.0 %</b>	<b>18.1</b>	<b>9.5 %</b>	<b>14.4</b>	<b>-20.2 %</b>	<b>15.0</b>	<b>3.7 %</b>	<b>15.7</b>	<b>4.8 %</b>
Fixed assets	0.5		0.6		0.5		0.4		0.7	
Goodwill	4.5		4.5		4.5		4.5		4.5	
Other intangible assets	5.9		5.9		5.9		5.9		5.9	
Deferred taxes	0.1		0.1		0.1		0.1		0.1	
Other fixed assets	1.8		10.4		10.4		10.4		10.4	
<b>Total fixed assets</b>	<b>12.8</b>	<b>-1.3 %</b>	<b>21.5</b>	<b>67.2 %</b>	<b>21.3</b>	<b>-0.7 %</b>	<b>21.2</b>	<b>-0.4 %</b>	<b>21.5</b>	<b>1.5 %</b>
<b>Total assets</b>	<b>29.4</b>	<b>6.3 %</b>	<b>39.6</b>	<b>34.7 %</b>	<b>35.8</b>	<b>-9.6 %</b>	<b>36.2</b>	<b>1.2 %</b>	<b>37.2</b>	<b>2.9 %</b>
<b>Equity &amp; Liabilities</b>										
Subscribed capital	14.2		14.2		14.2		14.2		14.2	
Reserves & other	2.6		2.6		2.6		2.6		2.6	
Revenue reserves	-0.2		0.6		-3.2		-3.6		-3.5	
Accumulated other comprehensive	0.0		0.0		0.0		0.0		0.0	
<b>Shareholder's equity</b>	<b>16.5</b>	<b>5.1 %</b>	<b>17.4</b>	<b>5.3 %</b>	<b>13.6</b>	<b>-21.8 %</b>	<b>13.1</b>	<b>-3.4 %</b>	<b>13.2</b>	<b>0.7 %</b>
Minorities	0.0		0.0		0.0		0.0		0.0	
<b>Shareholder's equity incl. minorities</b>	<b>16.5</b>	<b>5.1 %</b>	<b>17.4</b>	<b>5.3 %</b>	<b>13.6</b>	<b>-21.8 %</b>	<b>13.1</b>	<b>-3.4 %</b>	<b>13.2</b>	<b>0.7 %</b>
<b>Long-term liabilities</b>										
Pension provisions	0.0		0.0		0.0		0.0		0.0	
Financial liabilities	0.8		12.0		12.0		12.0		12.0	
Tax liabilities	0.0		0.0		0.0		0.0		0.0	
Other liabilities	3.0		0.0		0.0		0.0		0.0	
<b>Total long-term debt</b>	<b>3.9</b>	<b>646.8 %</b>	<b>12.0</b>	<b>210.2 %</b>	<b>12.0</b>	<b>0.0 %</b>	<b>12.0</b>	<b>0.0 %</b>	<b>12.0</b>	<b>0.0 %</b>
<b>Short-term debt</b>										
Other provisions	0.3		0.3		0.3		0.3		0.3	
Trade payables	1.5		1.6		1.6		1.8		1.9	
Financial debt	1.5		0.0		0.0		0.0		0.0	
Other liabilities	3.0		4.6		4.6		5.0		5.4	
<b>Total short-term debt</b>	<b>6.3</b>	<b>-22.4 %</b>	<b>6.5</b>	<b>2.7 %</b>	<b>6.5</b>	<b>0.0 %</b>	<b>7.1</b>	<b>9.0 %</b>	<b>7.7</b>	<b>8.5 %</b>
<b>Total equity &amp; liabilities</b>	<b>29.4</b>	<b>6.3 %</b>	<b>39.6</b>	<b>34.7 %</b>	<b>35.8</b>	<b>-9.6 %</b>	<b>36.2</b>	<b>1.2 %</b>	<b>37.2</b>	<b>2.9 %</b>

Source: Company data, Quirin Privatbank estimates

## Financial key ratios

Key ratios	2020	2021	2022e	2023e	2024e
<b>Per share data (EUR)</b>					
EPS	0.05	0.06	-0.27	-0.03	0.01
Book value per share	1.2	1.2	1.0	0.9	0.9
Free cash flow per share	0.2	0.2	-0.3	0.0	0.0
Dividend per share	0.00	0.00	0.00	0.00	0.00
<b>Valuation ratios</b>					
EV/Sales	1.05	1.58	1.28	1.17	1.08
EV/EBITDA	7.9	12.9	-1338.2	11.0	9.6
EV/EBIT	33.8	43.5	-15.1	33.6	21.5
P/E	58.5	48.9	-11.3	-91.5	459.6
P/B	2.6	2.5	3.1	3.2	3.2
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0
<b>Growth</b>					
Sales growth (%)	6.3	7.1	0.0	9.0	8.5
<b>Profitability ratios</b>					
EBITDA margin (%)	13.3	12.3	-0.1	10.7	11.3
EBIT margin (%)	3.1	3.6	-8.5	3.5	5.0
Net margin (%)	2.2	2.4	-10.5	-1.2	0.2
ROCE (%)	4.5	4.0	-10.4	4.7	7.2
<b>Financial ratios</b>					
Total equity (EUR m)	16.5	17.4	13.6	13.1	13.2
Equity ratio (%)	56.3	44.0	38.1	36.3	35.6
Net financial debt (EUR m)	-9.3	-0.2	3.4	3.4	3.1
Net debt/Equity	0.6	0.4	0.4	0.4	0.4
Interest cover	-7.3	-3.4	1.5	-0.7	-1.1
Net debt/EBITDA	-2.1	0.0	-99.5	0.8	0.6
Payout ratio (%)	0.0	0.0	0.0	0.0	0.0
Working Capital (EUR m)	0.8	-0.3	-0.3	-0.3	-0.3
Working capital/Sales	0.02	-0.01	-0.01	-0.01	-0.01

Source: Company data, Quirin Privatbank estimates

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The levels of change expressed in each rating categories are:

BUY > +10%

HOLD <=-10% and < = +10%

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#### Price and Rating History (last 12 months)

Date	Price target-EUR	Rating	Initiation
30.09.2022	6.00	Buy	
22.02.2022	6.20	Buy	
22.10.2021	6.01	Buy	11.12.2018

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#### Competent supervisory authority

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