

17 February 2023

Intershop Communications AG

Rating Buy
Share price (EUR) 2.86
Target price (EUR) 6.00

Bloomberg ISHA GR
Sector IT-Service

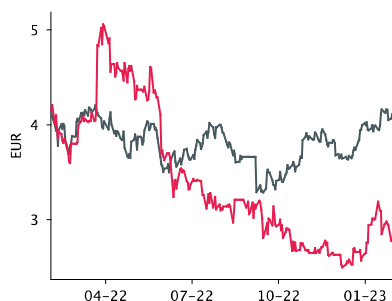
Share data

Shares out (m) 14.2
Daily volume shs (m) 0.0
Free float (%) 62.40
Market cap (EUR m) 41
EV (EUR m) 44
DPS (EUR) 0.00
Dividend yield (%) 0.0
Payout ratio (%) 0.0

Performance

ytd (%) 10.9
12 months (%) -31.3
12 months rel. (%) -29.7
Index TecDAX

Share price performance



— Intershop Communications AG
— Price rel. to TecDAX – Price Index

Source: Bloomberg

Next triggers

26.04.2023: Q1 results

Analysts

Sebastian Droste – Financial Analyst
T +49 (0) 69 2475049 26
sebastian.droste@quirinprivatbank.de

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Margin improvements expected

On February 15, Intershop reported preliminary full year 2022 results. Total revenues were up 2.2% yoy and sales in cloud business was up even 28% yoy and incoming cloud orders even grew 42% yoy to EUR 25.9m - quite strong and strategically important for the company. Cloud revenues now account for 38.6% of total revenues, up from 31%. Net new annual recurring revenue was up 14% yoy to EUR 3.2m, increasing the predictability and resilience of the business. Only negative point is the lower EBIT, which, however, is no surprise as management communicated this issue already with Q3 results – more details below. However, in our view, this should be resolved in the mid-term and we see Intershop on track to profitability again soon. Management guided sales to grow by 10% yoy and a balanced EBIT for 2023. We confirm our target price of 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.

Service business

Main reason for the negative EBIT is the performance of the service business, which dropped by 13% yoy to EUR 13.1m (2021: EUR 15.1m). The reason for this decline were inefficiencies in project costing and execution. Some service projects turned out to be more expensive than calculated and thus required more time and resources. There has already been a management change and restructuring measures implemented. We believe Intershop is on the right track to achieving adequate utilization of their service team again. This is expected in the course of 2023 with corresponding revenue increases. EBIT was also impacted by write-downs on receivables from customers whose business was affected by the consequences of the war in Ukraine.

Intershop Communications AG - FY 2022

EUR m	2022	2021	yoy	Quirin est.	delta
Revenues	36.8	36.0	2.2%	36.0	2.2%
EBIT	-2.90	1.30	-323.1%	-3.10	6.5%
EBIT margin	-7.9%	3.6%	-1149 BP	-8.6%	73 BP

Source: Intershop Communications AG, Quirin Privatbank AG

Key figures		2020	2021	2022e	2023e	2024e
Sales	EUR m	34	36	37	40	44
EBITDA	EUR m	4	4	0	3	4
EBIT	EUR m	1	1	-3	0	1
EPS	EUR	0.05	0.06	-0.26	-0.11	-0.03
Sales growth	%	6.3	7.1	2.2	10.0	8.5
EBITDA margin	%	13.3	12.3	1.0	7.5	9.6
EBIT margin	%	3.1	3.6	-7.9	0.0	3.0
Net margin	%	2.2	2.4	-10.0	-3.7	-1.1
EV/Sales	ratio	1.05	1.58	1.08	1.10	1.01
EV/EBITDA	ratio	7.9	12.9	102.6	14.5	10.6
EV/EBIT	ratio	33.8	43.5	-13.7	n.a.	33.8
P/E	ratio	55.6	46.5	-11.1	-27.1	-85.5
P/BV	ratio	2.5	2.3	3.0	3.3	3.5
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 6.9% 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
Sales	36.8	40.5	43.9	47.0	49.8	52.4	54.8	56.9	58.6	59.9	
growth yoy	2.2%	10.0%	8.5%	7.0%	6.0%	5.3%	4.5%	3.8%	3.0%	2.3%	
EBIT	-2.9	0.0	1.3	2.3	3.9	4.8	5.9	6.9	7.9	9.0	
EBIT margin	-7.9%	0.0%	3.0%	5.0%	7.8%	9.2%	10.7%	12.1%	13.6%	15.0%	
Taxes	0.7	0.0	-0.4	-0.7	-1.2	-1.5	-1.8	-2.1	-2.4	-2.7	
Tax rate	25%	25%	30%	30%	30%	30%	30%	30%	30%	30%	
Depreciation	3.3	3.1	2.9	2.9	3.0	3.4	3.7	3.9	4.1	4.2	
% of sales	8.9%	7.5%	6.6%	6.2%	6.1%	6.5%	6.8%	6.9%	6.9%	7.0%	
Capex	-2.9	-2.8	-3.1	-3.3	-3.5	-3.7	-3.8	-4.0	-4.1	-4.2	
% of sales	8.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	
Δ NWC	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
% of sales	0.0%	-0.1%	-0.1%	-0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	
FCF	-1.8	0.2	0.8	1.3	2.3	3.2	4.0	4.8	5.6	6.3	122.1
growth yoy	n.m.	n.m.	n.m.	n.m.	76.3%	39.0%	25.9%	19.8%	16.1%	13.8%	1.5%
PV FCF	-1.8	0.2	0.7	1.1	1.8	2.3	2.7	3.0	3.3	3.5	68.1

Enterprise value	85	PV Forecast Period	17	Risk free rate	2.00%
- Net Debt / Net Cash	-0.2	PV Terminal Value	68	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 & 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 %	36.8	2.2 %	40.5	10.0 %	43.9	8.5 %
Cost of sales	-17.9		-18.6		-21.1		-23.2		-25.2	
Gross profit	15.7		17.4		15.7		17.2		18.7	
Selling expenses	-7.7		-7.7		-7.7		-8.3		-8.7	
General administrative expenses	-3.1		-3.3		-3.4		-3.7		-4.0	
Research and development costs	-3.8		-5.7		-5.8		-6.4		-6.9	
Other operating income	0.5		0.9		-1.4		1.5		2.7	
Other operating expenses	-0.5		-0.4		-0.4		-0.4		-0.5	
EBITDA	4.5	-292.3 %	4.4	-1.0 %	0.4	-91.3 %	3.1	690.6 %	4.2	37.7 %
EBITDA margin (%)	13.30		12.29		1.05		7.54		9.57	
EBIT	1.0	-116.1 %	1.3	25.5 %	-2.9	-321.4 %	0.0	-100.0 %	1.3	n.a.
EBIT margin (%)	3.11		3.64		-7.88		0.00		3.00	
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 %	-4.9	-627.6 %	-2.0		-0.7	
Pretax margin (%)	2.68		2.58		-13.30		-4.93		-1.54	
Taxes	-0.1		-0.1		1.2		0.5		0.2	
Tax rate (%)	12.08		12.72		25.00		25.00		30.00	
Earnings after taxes	0.8		0.8		-3.7		-1.5		-0.5	
Group attributable income	0.7	-111.0 %	0.9	19.6 %	-3.7	-520.6 %	-1.5	-59.2 %	-0.5	-68.3 %
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 %	-0.26	-520.6 %	-0.11	-59.2 %	-0.03	-68.3 %

Source: Company data, Quirin Privatbank estimates

Balance sheet

Balance sheet (EUR m)	2020	YOY	2021	YOY	2022e	YOY	2023e	YOY	2024e	YOY
Assets										
Cash and cash equivalents	11.6		12.2		9.0		8.2		8.1	
Accounts receivables	3.9		5.0		5.1		5.6		6.1	
Inventories	1.0		0.0		0.0		0.0		0.0	
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	
Total current assets	16.5	13.0 %	18.1	9.5 %	15.0	-17.2 %	14.7	-1.6 %	15.1	2.1 %
Fixed assets	0.5		0.6		0.3		0.1		0.3	
Goodwill	4.5		4.5		4.5		4.5		4.5	
Other intangible assets	5.9		5.9		5.9		5.9		5.9	
Financial assets	0.0		0.0		0.0		0.0		0.0	
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	
Total fixed assets	12.8	-1.3 %	21.5	67.2 %	21.1	-1.6 %	20.9	-1.0 %	21.1	0.9 %
Total assets	29.4	6.3 %	39.6	34.7 %	36.1	-8.7 %	35.7	-1.3 %	36.1	1.4 %
Equity & Liabilities										
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		-3.0		-4.5		-5.0	
Accumulated other comprehensive	0.0		0.0		0.0		0.0		0.0	
Shareholder's equity	16.5	5.1 %	17.4	5.3 %	13.7	-21.1 %	12.2	-10.9 %	11.8	-3.9 %
Minorities	0.0		0.0		0.0		0.0		0.0	
Shareholder's equity incl. minorities	16.5	5.1 %	17.4	5.3 %	13.7	-21.1 %	12.2	-10.9 %	11.8	-3.9 %
Long-term liabilities										
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	
Total long-term debt	3.9	646.8 %	12.0	210.2 %	12.0	0.0 %	12.0	0.0 %	12.0	0.0 %
Short-term debt										
Other provisions	0.3		0.3		0.3		0.3		0.4	
Trade payables	1.5		1.6		1.7		1.8		2.0	
Financial debt	1.5		0.0		0.0		0.0		0.0	
Other liabilities	3.0		4.6		4.7		5.1		5.6	
Total short-term debt	6.3	-22.4 %	6.5	2.7 %	6.6	2.2 %	7.3	10.0 %	7.9	8.5 %
Total equity & liabilities	29.4	6.3 %	39.6	34.7 %	36.1	-8.7 %	35.7	-1.3 %	36.1	1.4 %

Source: Company data, Quirin Privatbank estimates

Financial key ratios

Key ratios	2020	2021	2022e	2023e	2024e
Per share data (EUR)					
EPS	0.05	0.06	-0.26	-0.11	-0.03
Book value per share	1.2	1.2	1.0	0.9	0.8
Free cash flow per share	0.2	0.2	-0.2	-0.1	0.0
Dividend per share	0.00	0.00	0.00	0.00	0.00
Valuation ratios					
EV/Sales	1.05	1.58	1.08	1.10	1.01
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0
Growth					
Sales growth (%)	6.3	7.1	2.2	10.0	8.5
Profitability ratios					
EBITDA margin (%)	13.3	12.3	1.0	7.5	9.6
EBIT margin (%)	3.1	3.6	-7.9	0.0	3.0
Net margin (%)	2.2	2.4	-10.0	-3.7	-1.1
ROCE (%)	4.5	4.0	-9.8	0.0	4.7
Financial ratios					
Total equity (EUR m)	16.5	17.4	13.7	12.2	11.8
Equity ratio (%)	56.3	44.0	38.0	34.3	32.5
Net financial debt (EUR m)	-9.3	-0.2	3.0	3.8	3.9
Net debt/Equity	0.6	0.4	0.4	0.3	0.3
Interest cover	-7.3	-3.4	1.5	0.0	-0.7
Net debt/EBITDA	-2.1	0.0	7.8	1.2	0.9
Payout ratio (%)	0.0	0.0	0.0	0.0	0.0
Working Capital (EUR m)	0.8	-0.3	-0.3	-0.3	-0.4
Working capital/Sales	0.02	-0.01	-0.01	-0.01	-0.01

Source: Company data, Quirin Privatbank estimates

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

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Date	Price target-EUR	Rating	Initiation
17.02.2023	6.00	Buy	
30.09.2022	6.00	Buy	
22.02.2022	6.20	Buy	11.12.2018

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Competent supervisory authority

Bundesanstalt für Finanzdienstleistungsaufsicht - BaFin – (Federal Financial Supervisory Authority), Graurheindorfer Str. 108 , 53117 Bonn

Contact Quirin Privatbank AG Frankfurt am Main

Schillerhaus / Schillerstraße 20 / 60313 Frankfurt am Main

Management Board: Karl Matthäus Schmidt • Johannes Eismann •

Contact Details

Quirin Privatbank AG

Schillerhaus | Schillerstrasse 20 | 60313 Frankfurt am Main

Tel.: +49 69 2 47 50 49-0 | Fax: +49 69 2 47 50 49-44 | Institutional-Sales-FFM@quirinprivatbank.de

Equity Research	Tel.	Email
Klaus Soer	+49 (0) 69 2475049-27	klaus.soer@quirinprivatbank.de
Ralf Marinoni	+49 (0) 69 2475049-24	ralf.marinoni@quirinprivatbank.de
Sebastian Droste	+49 (0) 69 2475049-26	sebastian.droste@quirinprivatbank.de
Daniel Kukalj	+49 (0) 69 2475049-28	daniel.kukalj@quirinprivatbank.de

Equity Sales	Tel.	Email
Klaus Korzilius	+49 (0) 69 2475049-25	klaus.korzilius@quirinprivatbank.de
Klaus Messenzehl	+49 (0) 69 2475049-46	klaus.messenzehl@quirinprivatbank.de
Bruno de Lencquesaing	+49 (0) 69 2475049-81	bruno.delencquesaing@quirinprivatbank.de
Tina Heidenreich	+49 (0) 69 2475049-73	tina.heidenreich@quirinprivatbank.de

Fixed Income Sales	Tel.	Email
Jürgen Raabe	+49 (0) 69 2475049-41	juergen.raabe@quirinprivatbank.de
Janine Kaiser	+49 (0) 69 24750 49-83	janine.kaiser@quirinprivatbank.de
Michael Laufenberg	+49 (0) 69 2475049-48	michael.laufenberg@quirinprivatbank.de
Roman Piroutek	+49 (0) 69 2475049-47	roman.piroutek@quirinprivatbank.de

Trading / Sales Trading	Tel.	Email
Jean-Marie Frémion	+49 (0) 69 2475049-90	jean-marie.fremion@quirinprivatbank.de
Lars Haussmann	+49 (0) 69 2475049-76	lars.haussmann@quirinprivatbank.de
Peter Rumstich	+49 (0) 69 2475049-65	peter.rumstich@quirinprivatbank.de
Carsten Pfersdorf	+49 (0) 69 2475049-75	carsten.pfersdorf@quirinprivatbank.de

Business Support	Tel.	Email
Suganya Sutharsan	+49 (0) 69 2475049-88	suganya.sutharsan@quirinprivatbank.de