

24 April 2024

Intershop Communications AG

Rating	Buy (Buy)
Share price (EUR)	1.87
Target price (EUR)	2.70 (2.60)
Bloomberg Sector	ISHA GR IT-Service

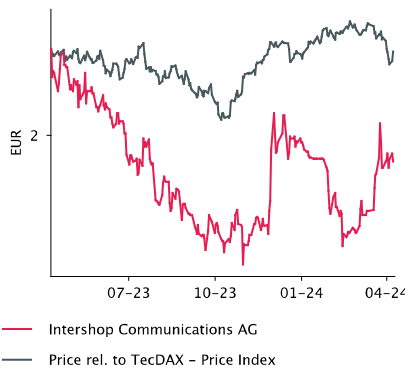
Share data

Shares out (m)	14.2
Daily volume shs (m)	0.0
Free float (%)	48.00
Market cap (EUR m)	27
EV (EUR m)	31
DPS (EUR)	0.00
Dividend yield (%)	0.0
Payout ratio (%)	0.0

Performance

ytd (%)	-11.0
12 months (%)	-21.1
12 months rel. (%)	-20.3
Index	TecDAX

Share price performance



Source: Bloomberg

Next triggers

24.07.2024: Q2 results

Analysts

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

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Break even on EBIT basis

On April 24, Intershop published its Q1 2024 results. Total revenues were up 6.7% yoy to EUR 9.5m and 4.4% exceeding our estimate. Main driver was the cloud business which increased by 32% yoy to EUR 4.9m and now accounts for 52% of total revenues, up from 42% last year. Incoming cloud orders increased by 79% to EUR 4.8m. Service revenues fell a bit short of expectations and decreased by 16% yoy to EUR 2.7m, burdened by individual complex and long-term major projects, while at the same time there were fewer new projects. The service business still has a burdening effect on bottom line. However, EBIT came in slightly positive at EUR 6k, improving from EUR -0.9 last year. The margin is intended to be improved by reducing personnel costs through e.g. a halt in new hires. Also, R&D expenses fell by 8% yoy and helped on EBIT basis. Management also intends to review customer contracts for possible price increases. Other measures are downsizing outside services in the services segment, e.g. optimization of Azure costs. Office expenses and travel costs are also intended to be downsized. Very promising is that management projects a moderate increase in revenues and a break-even EBIT for 2024. We slightly increase our target price to EUR 2.70 and reiterate our Buy recommendation.

Promising guidance

For the full year 2024, the Management Board continues to expect a slight increase in both incoming cloud orders and net new ARR. The company also projects a moderate increase in revenues and a break-even EBIT.

Intershop Communications AG - Q1 2024

EUR m	Q1 2024	Q1 2023	yoy	Quirin est.	delta
Revenues	9.5	8.9	6.7%	9.1	4.4%
EBIT	0.01	-0.90	n.m.	0.00	n.m.
EBIT margin	0.1%	-10.1%	n.m.	0.0%	6 BP

Source: Intershop Communications AG, Quirin Privatbank AG

Key figures		2022	2023	2024e	2025e	2026e
Sales	EUR m	37	38	39	41	43
EBITDA	EUR m	0	1	3	3	3
EBIT	EUR m	-3	-3	0	0	1
EPS	EUR	-0.25	-0.22	-0.01	0.00	0.02
Sales growth	%	2.2	3.2	3.0	4.5	5.0
EBITDA margin	%	1.1	2.3	7.3	7.6	8.1
EBIT margin	%	-7.8	-6.7	0.3	1.0	1.8
Net margin	%	-9.7	-8.1	-0.5	0.0	0.6
EV/Sales	ratio	1.17	0.90	0.80	0.77	0.74
EV/EBITDA	ratio	102.6	39.6	10.9	10.1	9.1
EV/EBIT	ratio	na	na	267.4	77.2	40.9
P/E	ratio	na	na	na	na	103.1
P/BV	ratio	2.6	2.6	2.4	2.4	2.3
Dividend yield	%	0.0	0.0	0.0	0.0	0.0

Source: Bloomberg, Company data, Quirin Privatbank estimates

We have derived our target price for Intershop from our DCF model. With a WACC of 8.37% (resulting from a risk-free rate of 3.5%, market premium of 4.5% and a beta of 1.1), a mid-term revenue CAGR 2024-2027 of 5.2% fading to a perpetual growth rate of 1.5% and a sustainable long-term EBIT margin of 11.5% our DCF model derives a fair value of EUR 2.70 per share. Hence, we reiterate our Buy recommendation.

(EUR m)	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	TV
Sales	39.1	40.9	42.9	45.5	48.0	50.3	52.4	54.3	55.8	57.0	
growth yoy	3.0%	4.5%	5.0%	6.0%	5.5%	4.8%	4.2%	3.5%	2.8%	2.2%	
EBIT	0.1	0.4	0.8	1.3	1.7	2.6	3.5	4.5	5.5	6.6	
EBIT margin	0.3%	10%	18%	2.8%	3.5%	5.1%	6.7%	8.3%	9.9%	115%	
Taxes	0.0	-0.1	-0.2	-0.4	-0.5	-0.8	-1.1	-1.4	-1.7	-2.0	
Tax rate	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	
Depreciation	2.8	2.7	2.7	2.7	2.8	3.5	3.9	4.2	4.4	4.6	
% of sales	7.0%	6.6%	6.3%	6.0%	5.8%	6.9%	7.4%	7.7%	7.9%	8.0%	
Capex	-3.1	-3.3	-3.4	-3.6	-3.8	-4.0	-4.2	-4.3	-4.5	-4.6	
% of sales	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	
Δ NWC	0.1	0.2	0.3	0.3	0.3	0.3	0.4	0.4	0.4	0.4	
% of sales	-0.4%	-0.6%	-0.6%	-0.7%	-0.7%	-0.7%	-0.7%	-0.7%	-0.7%	-0.7%	
FCF	-0.1	0.0	0.1	0.3	0.4	1.6	2.5	3.4	4.2	5.0	73.5
growth yoy	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	59.6%	33.5%	23.7%	19.4%	1.5%
PV FCF	-0.1	0.0	0.1	0.2	0.3	1.0	1.5	1.8	2.1	2.3	33.7

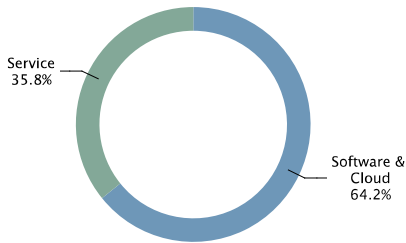
Enterprise value	43	PV Forecast Period	9	Risk free rate	3.50%
- Net Debt / Net Cash	4.5	PV Terminal Value	34	Cost of debt	4.50%
- Pension Provisions	0			Market Premium	4.50%
Equity value	38			Equity ratio	100%
Number of shares	14.2			Company beta	1.1
Value per share (€)	2.70			WACC	8.37%

Break even on EBIT basis

Company description

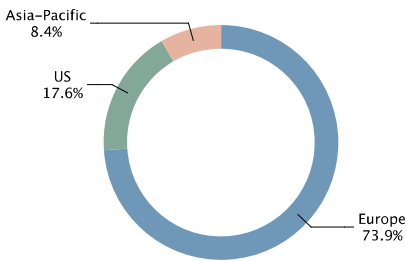
Intershop Communications AG is a provider of integrated enterprise solutions for omni-channel commerce. The Company operates in two business segments: Products and Service. The Products business segment comprises licensing revenues and maintenance revenues. The Service business segment includes revenues from consulting services and training, and full services revenue.

Revenues by segment 2023



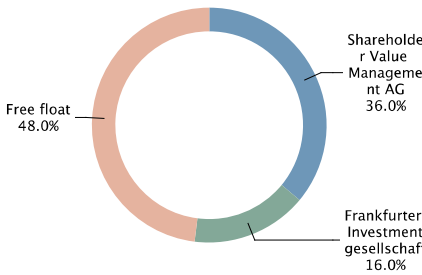
Source: Company data

Revenues by region 2023



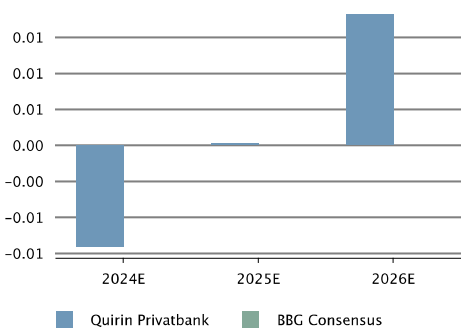
Source: Company data

Shareholder structure



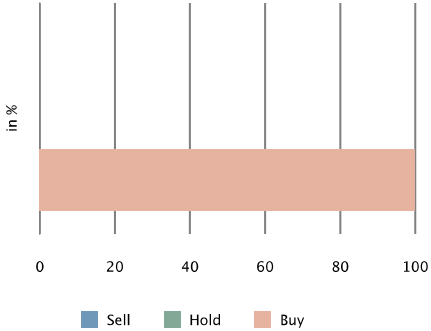
Source: Company data

EPS: Quirin Privatbank vs. consensus



Source: Quirin Privatbank Research, Bloomberg

Recommendation Overview



Source: Bloomberg

Company guidance 2024

For the full year 2024, the Management Board continues to expect a slight increase in both incoming cloud orders and net new ARR. The company also projects a moderate increase in revenues and a break-even operating result (EBIT).

Profit & loss statement

Profit & loss statement (EUR m)	2022	YOY	2023	YOY	2024e	YOY	2025e	YOY	2026e	YOY
Sales	36.8	2.2 %	38.0	3.2 %	39.1	3.0 %	40.9	4.5 %	42.9	5.0 %
Cost of sales	-21.1		-22.2		-22.8		-23.9		-25.1	
Gross profit	15.7		15.8		16.3		17.0		17.9	
Selling expenses	-8.1		-8.4		-8.4		-8.6		-8.8	
General administrative expenses	-3.3		-3.2		-3.3		-3.5		-3.7	
Research and development costs	-6.9		-6.9		-7.1		-7.5		-7.8	
Other operating income	0.6		0.5		3.0		3.3		3.5	
Other operating expenses	-0.9		-0.3		-0.3		-0.3		-0.3	
EBITDA	0.4	-90.5 %	0.9	106.9 %	2.9	230.7 %	3.1	8.8 %	3.5	11.8 %
EBITDA margin (%)	1.14		2.28		7.33		7.63		8.13	
EBIT	-2.9	-319.0 %	-2.5	-11.6 %	0.1	-104.6 %	0.4	248.3 %	0.8	89.0 %
EBIT margin (%)	-7.80		-6.68		0.30		1.00		1.80	
Net interest	-0.5		-0.5		-0.4		-0.4		-0.4	
Net financial result	-0.5		-0.5		-0.4		-0.4		-0.4	
Exceptional items	0.0		0.0		1.0		1.0		1.0	
Pretax profit	-3.4	-465.3 %	-3.0	-11.1 %	-0.3	-90.4 %	0.0	-100.2 %	0.4	52752.3 %
Pretax margin (%)	-9.21		-7.93		-0.74		0.00		0.85	
Taxes	-0.2		-0.1		0.1		0.0		-0.1	
Tax rate (%)	-4.93		-2.36		30.00		30.00		30.00	
Earnings after taxes	-3.6		-3.1		-0.2		0.0		0.3	
Group attributable income	-3.6	-507.1 %	-3.1	-13.3 %	-0.2	-93.5 %	0.0	-101.7 %	0.3	7297.5 %
No. of shares (m)	14.2		14.2		14.2		14.2		14.2	
Earnings per share (EUR)	-0.25	-507.1 %	-0.22	-13.3 %	-0.01	-93.5 %	0.00	-101.7 %	0.02	7297.5 %

Source: Company data, Quirin Privatbank estimates

Balance sheet

Balance sheet (EUR m)	2022	YOY	2023	YOY	2024e	YOY	2025e	YOY	2026e	YOY
Assets										
Cash and cash equivalents	10.5		10.0		9.7		9.5		9.5	
Accounts receivables	4.9		3.9		4.0		4.2		4.4	
Inventories	0.0		0.0		0.0		0.0		0.0	
Other current assets	0.9		1.0		1.0		1.0		1.0	
Tax claims	0.1		0.1		0.1		0.1		0.1	
Total current assets	16.3	-9.9 %	14.9	-8.6 %	14.7	-1.5 %	14.7	0.0 %	14.9	1.3 %
Fixed assets	0.5		0.4		0.8		1.4		2.1	
Goodwill	7.5		7.5		7.5		7.5		7.5	
Other intangible assets	6.9		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	9.9		9.1		9.1		9.1		9.1	
Total fixed assets	25.0	16.3 %	23.1	-7.3 %	23.5	1.6 %	24.1	2.4 %	24.8	3.0 %
Total assets	41.3	4.3 %	38.0	-7.8 %	38.2	0.4 %	38.8	1.5 %	39.7	2.3 %
Equity & Liabilities										
Subscribed capital	14.2		14.6		14.6		14.6		14.6	
Reserves & other	2.6		3.0		3.0		3.0		3.0	
Revenue reserves	-2.9		-6.2		-6.4		-6.4		-6.2	
Accumulated other comprehensive	0.0		0.0		0.0		0.0		0.0	
Shareholder's equity	13.9	-20.4 %	11.4	-17.9 %	11.2	-1.8 %	11.2	0.0 %	11.4	2.3 %
Minorities	0.0		0.0		0.0		0.0		0.0	
Shareholder's equity incl. minorities	13.9	-20.4 %	11.4	-17.9 %	11.2	-1.8 %	11.2	0.0 %	11.4	2.3 %
Long-term liabilities										
Pension provisions	0.0		0.0		0.0		0.0		0.0	
Financial liabilities	14.9		12.5		12.5		12.5		12.5	
Tax liabilities	0.1		0.0		0.0		0.0		0.0	
Other liabilities	-0.1		0.0		0.0		0.0		0.0	
Total long-term debt	14.9	24.5 %	12.5	-16.1 %	12.5	0.0 %	12.5	0.0 %	12.5	0.0 %
Short-term debt										
Other provisions	0.4		0.3		0.4		0.4		0.4	
Trade payables	1.7		2.0		2.0		2.1		2.2	
Financial debt	1.9		2.0		2.0		2.0		2.0	
Other liabilities	8.5		9.8		10.1		10.6		11.1	
Total short-term debt	12.5	22.8 %	14.1	13.4 %	14.5	2.6 %	15.1	3.9 %	15.7	4.3 %
Total equity & liabilities	41.3	4.3 %	38.0	-7.8 %	38.2	0.4 %	38.8	1.5 %	39.7	2.3 %

Source: Company data, Quirin Privatbank estimates

Financial key ratios

Key ratios	2022	2023	2024e	2025e	2026e
Per share data (EUR)					
EPS	-0.25	-0.22	-0.01	0.00	0.02
Book value per share	1.0	0.8	0.8	0.8	0.8
Free cash flow per share	-0.2	0.1	0.0	0.0	0.0
Dividend per share	0.00	0.00	0.00	0.00	0.00
Valuation ratios					
EV/Sales	1.17	0.90	0.80	0.77	0.74
EV/EBITDA	102.6	39.6	10.9	10.1	9.1
EV/EBIT	-15.0	-13.5	267.4	77.2	40.9
P/E	-10.3	-9.7	-133.2	7623.7	103.1
P/B	2.6	2.6	2.4	2.4	2.3
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0
Growth					
Sales growth (%)	2.2	3.2	3.0	4.5	5.0
Profitability ratios					
EBITDA margin (%)	1.1	2.3	7.3	7.6	8.1
EBIT margin (%)	-7.8	-6.7	0.3	1.0	1.8
Net margin (%)	-9.7	-8.1	-0.5	0.0	0.6
ROCE (%)	-10.0	-10.6	0.5	1.7	3.2
Financial ratios					
Total equity (EUR m)	13.9	11.4	11.2	11.2	11.4
Equity ratio (%)	33.6	29.9	29.2	28.8	28.8
Net financial debt (EUR m)	6.4	4.5	4.8	5.0	5.0
Net debt/Equity	0.3	0.3	0.3	0.3	0.3
Interest cover	5.5	4.8	-0.3	-0.9	-1.7
Net debt/EBITDA	15.2	5.2	1.7	1.6	1.4
Payout ratio (%)	0.0	0.0	0.0	0.0	0.0
Working Capital (EUR m)	-1.7	-4.9	-5.1	-5.3	-5.6
Working capital/Sales	-0.05	-0.13	-0.13	-0.13	-0.13

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%

SELL > -10%.

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Price and Rating History (last 12 months)

Date	Price target-EUR	Rating	Initiation
24.04.2024	2.70	Buy	
30.10.2023	2.60	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
Michael Hannig	+49 (0) 69 2475049-43	michael.hannig@quirinprivatbank.de
Marcel Ghazi	+49 (0) 69 2475049-18	marcel.ghazi@quirinprivatbank.de
Vincent Steindl	+49 (0) 69 2475049-29	vincent.steindl@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

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

Equity Trading / Sales Trading	Tel.	Email
Jean-Marie Frémion	+49 (0) 69 2475049-90	jean-marie.fremion@quirinprivatbank.de
Peter Rumstich	+49 (0) 69 2475049-65	peter.rumstich@quirinprivatbank.de

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