

# **Quarterly Statement**

## Q1 2023

January - March 2023

# Letter to Our Stockholders

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Dear stockholders and business partners,

In a volatile first quarter marked by macroeconomic changes, Intershop got off to a moderate start in the new year 2023. Particularly compared to the exceptionally strong first quarter of the prior year, the figures for the first three months of 2023 are significantly weaker. Revenues from the cloud segment rose by 21% to EUR 3.7 million (prior year: EUR 3.1 million) and thus the cloud share in the total revenues rose by 8 percentage points to 42% (prior year: 34%). The cloud margin also increased to 57% (prior year: 53%) At EUR 2.6 million, the important incoming orders in the cloud segment in the first quarter of 2023 were about 70% below the order volume of the prior year, and at EUR 0.3 million the Net New ARR was 67% less than in the prior year. This is mainly due to the existing macroeconomic risks, which resulted in reluctance on the part of some potential customers to place orders. Since the end of March we have noticed a significant recovery in demand, and as a result the company expects a substantial increase in incoming orders and Net New ARR compared with the prior year.

In the service segment, we were able to implement important optimization measures for improving the implementation projects. In the first quarter of 2023, we still felt the impact of the developments of the prior year such that sales remained merely at the prior-year level. But here, too, a significant improvement was noticeable at the end of the quarter, as the measures implemented took effect and we were able to win a large service order.

Overall, we continue to be optimistic regarding the business development for 2023 as a whole and reaffirm our forecast which provides for an increase in incoming cloud orders and in Net New ARR by more than 10% each as well as growth in sales of over 10% and a balanced operating result (EBIT).

Best regards,

  
Markus Klahn

  
Petra Stappenbeck

## Key Figures for the Group

in EUR thousand	Q1 2023	Q1 2022	Change
<b>KPIs</b>			
Cloud order entry	2.649	8,720	-70%
Net New ARR	272	820	-67%
Revenue	8.871	9,213	-4%
EBIT	(856)	31	n.a.
<b>REVENUES</b>			
Revenues	8.871	9,213	-4%
Licenses and Maintenance	1.956	2,878	-32%
Cloud and Subscription	3.734	3,097	21%
Service Revenues	3.181	3,238	-2%
Revenues Europe	6.151	6,715	-8%
Revenues USA	1.898	1,557	22%
Revenues Asia/Pacific	822	941	-13%
<b>EARNINGS</b>			
Cost of revenues	5.264	4,703	12%
Gross profit	3.607	4,510	-20%
Gross margin	41%	49%	
Operating expenses, operating income	4.463	4,479	0%
Research and development	1.794	1,880	-5%
Sales and marketing	1.941	1,946	0%
General and administrative	818	822	0%
Other operating income/expenses	(90)	(169)	-47%
EBIT	(856)	31	n.a.
EBIT-Margin	-10%	0%	
EBITDA	(5)	800	n.a.
EBITDA margin	0%	9%	
Net result	(1.042)	(132)	n.a.
Earnings per share (EUR)	(0.07)	(0.01)	-
<b>NET ASSETS</b>			
Shareholders' equity	13.585	17,182	-21%
Equity ratio	32%	39%	
Balance sheet total	41.843	44,485	-6%
Noncurrent assets	24.957	26,025	-4%
Current assets	16.886	18,460	-9%
Noncurrent liabilities	14.174	14,246	-1%
Current liabilities	14.084	13,057	8%
<b>FINANCIAL POSITION</b>			
Cash and cash equivalents	11.127	12,476	-11%
Net cash operating activities	1.472	3,203	-54%
Depreciation and amortization	851	769	11%
Net cash used in investing activities	(208)	(2,648)	n.a.
Net cash provided by financing activities	(542)	(390)	-39%
<b>EMPLOYEES</b>	299	294	2%

# Business development

## Business performance during the first three months of 2023

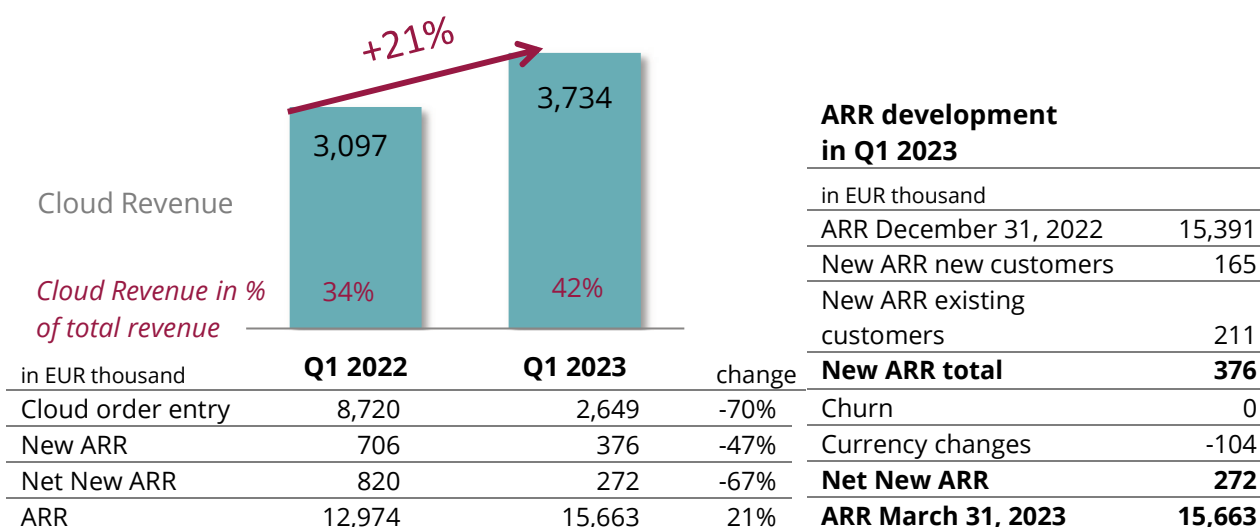
In the first three months of 2023, the Intershop Group generated revenues of EUR 8.9 million. This corresponds to a slight decline of 4% compared to the same period in the prior year (prior year: EUR 9.2 million). Operating earnings before interest and taxes (EBIT) also declined and amounted to EUR -0.9 million in the first quarter of 2023 (prior year: 31 thousand euros). The decline was primarily due to the continued low sales in the service segment and a general reluctance on the part of potential new customers caused by current macroeconomic uncertainties. The Group's most important financial key figures (KPIs) are shown in the overview below.

in EUR thousand	Q1 2023	Q1 2022	Change
Cloud Order Entry	2,649	8,720	-70%
Net New ARR	272	820	-67%
Revenue	8,871	9,213	-4%
EBIT	(856)	31	n.a.

### Cloud segment: Continued growth in revenues with modest incoming orders

In the first three months, the cloud segment of the Intershop Group got off to a moderate start in 2023. Revenues from the cloud segment increased by 21% to EUR 3.7 million compared with the prior-year quarter. The share of cloud revenues in the total revenue increased by 8 percentage points to 42%. Incoming cloud orders, on the other hand, declined by 70% to EUR 2.6 million. EUR 1.7 million of this is attributable to a new customer and EUR 0.9 million to existing customers. It is important to note here that the incoming orders in the prior-year quarter were exceptionally high at EUR 8.7 million. Overall, the reluctance of potential Intershop customers resulting from the overall economic uncertainties was noticeable in the reporting period. However, the demand for Intershop solutions increased again by the end of the first quarter, as a result of which the company expects increased incoming orders in the course of the year. As of March 31, 2023, the annually recurring revenue (ARR) rose to EUR 15.7 million, an increase of 21%. In contrast, at EUR 0.4 million the New ARR was below the prior-year value of EUR 0.7 million. The Net New ARR declined by 67% to EUR 0.3 million. The cloud margin improved by 4 percentage points to 57%.

### Cloud Business Development



## Earnings Position

The development of the key earnings figures of the Group is shown in the overview below:

in EUR thousand	Q1 2023	Q1 2022	Change
Revenues	8,871	9,213	-4%
Cost of revenues	5,264	4,703	12%
Gross margin	41%	49%	
Operating expenses, operating income	4,463	4,479	0%
EBIT	(856)	31	n.a.
EBIT margin	-10%	0%	
EBITDA	(5)	800	n.a.
EBITDA margin	0%	9%	
Earnings after tax	(1,042)	(132)	n.a.

In the first three months of 2023, the Intershop Group generated **revenues** of EUR 8.9 million and thus 4% less than the prior-year period (prior year: EUR 9.2 million). Revenues for the core group **software and cloud** declined by 5% to EUR 5.7 million (prior year: EUR 6.0 million). The decline within this Group is due to the expected decrease in revenues with **licenses and maintenance** as a result of focusing on the cloud. License revenues declined from EUR 0.8 million to EUR 0.2 million, and maintenance revenues fell from EUR 2.1 million to EUR 1.8 million. In the **cloud and subscription** segment, the company was able to continue its growth and generated revenues of EUR 3.7 million in the first quarter (prior year: EUR 3.1 million).

**Service revenues** amounted to EUR 3.2 in the first three months of 2023 and thus remained roughly at the prior-year level. They continue to remain at a comparatively low level. This results from the fact that some service projects in the 2022 fiscal year turned out to be more demanding than projected and thus required more time and resources. The company is continuing to push ahead in the current fiscal year with measures initiated in the middle of 2022 to increase efficiency, but these will only take on their full effect in the further course of the year. The share of service revenues in total revenue increased slightly from 35% in the prior-year period to 36% in the first three months of 2023.

The following overview shows the development of revenues:

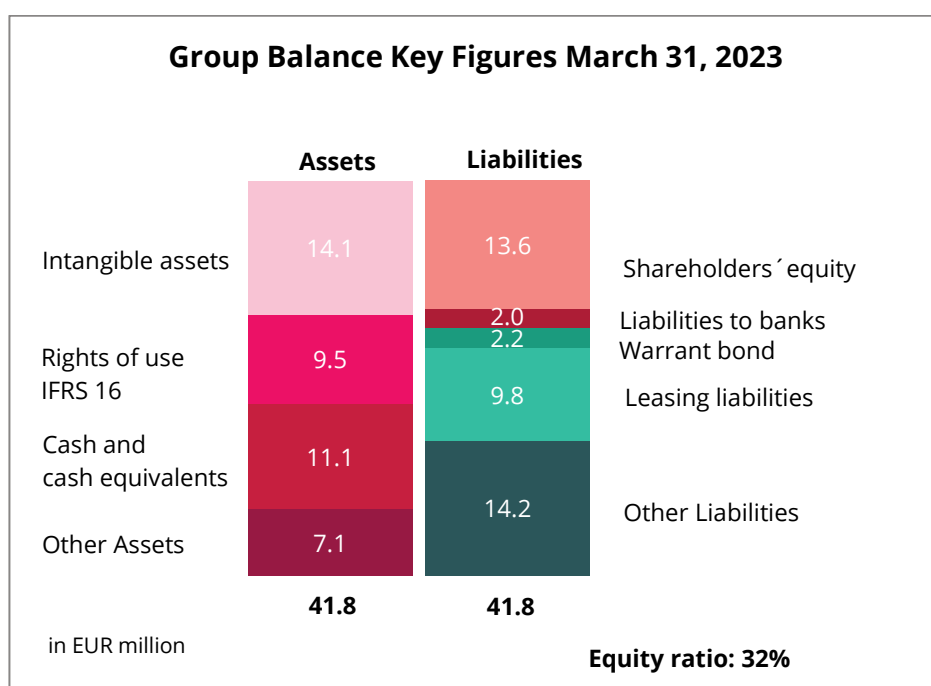
in EUR thousand	Q1 2023	Q1 2022	Change
<b>Software and Cloud Revenues</b>	<b>5,690</b>	<b>5,975</b>	<b>-5%</b>
<b>Licenses and Maintenance</b>	<b>1,956</b>	<b>2,878</b>	<b>-32%</b>
Licenses	165	825	-80%
Maintenance	1,791	2,053	-13%
<b>Cloud and Subscription</b>	<b>3,734</b>	<b>3,097</b>	<b>21%</b>
<b>Service Revenue</b>	<b>3,181</b>	<b>3,238</b>	<b>-2%</b>
<b>Revenues total</b>	<b>8,871</b>	<b>9,213</b>	<b>-4%</b>

Europe continues to be Intershop's dominant sales region. In the first quarter of 2023, the company posted revenues amounting to EUR 6.2 million (prior year: EUR 6.7 million). The share of European customers in the total revenue was 69% (prior year: 73%). Revenues also declined in the Asia-Pacific region by 13% to EUR 0.8 million (prior year: EUR 0.9 million). In contrast, Intershop was able to increase its revenue in the U.S. market by 22% to EUR 1.9 million (prior year: EUR 1.6 million). The region contributed 21% to the total revenue (prior year: 17%).

**Gross profit** on revenues decreased by 20% to EUR 3.6 million in the reporting period (previous year: EUR 4.5 million). The **gross profit margin** dropped eight percentage points to 41%. At EUR 4.5 million, **operating expenses and income** were on a par with the previous year. R&D expenses declined slightly by 5% to EUR 1.8 million. Sales and marketing expenses remained at the prior year level at EUR 1.9 million; this also applied to general administrative expenses, at EUR 0.8 million. After deducting all individual items, the total costs (cost of revenues and operating expenses/income) amounted to EUR 9.7 million, up 6% previous year. **Earnings before interest and taxes (EBIT)** amounted to EUR -0.9 million in the first quarter of 2023 (previous year: kEUR 31). Earnings before interest, taxes, depreciation and amortization (EBITDA) stood at kEUR -5 in the reporting period (previous year: EUR 0.8 million). The result after taxes amounted to EUR -1.0 million (previous year: EUR -0.1 million). This corresponds to earnings per share of -0.07 euros (previous year: -0.01 euros).

## Net Asset and Financial Position

As of the balance sheet date of March 31, 2023, the **balance sheet total** of the Intershop Group amounted to EUR 41.8 million and thus 1% above the figure at the end of 2022. On the **assets side**, non-current assets remained at the same level as at December 31, 2022 at EUR 25.0 million. Current assets increased slightly by 4% to EUR 16.9 million as a result of the increase in cash and cash equivalents and other receivables and assets. On the **liabilities side**, equity fell to EUR 13.6 million as of March 31, 2023 due to the negative result after taxes (December 31, 2022: EUR 13.9 million). However, the subscribed capital increased by 3% to EUR 14.9 million and the capital reserve by 18% to EUR 3.0 million. This results from partially exercising the option bond. In January 2023, Axxion S.A. partially exercised the option over 388,127 shares from the warrant issued by Intershop in July 2020 as part of an option bond on behalf of a fund client and therefore obtained a total of 388,127 newly issued no-par value bearer shares of INTERSHOP Communications AG at a price of EUR 2.19 per share. Exercising the option provided Intershop with gross issuing proceeds of EUR 0.85 million, which were used for the repayment of bonds that were terminated at the same time. Due to the partial repayment of the option bond, non-current liabilities decreased by 5% to EUR 14.2 million as of the reporting date on March 31, 2023 (December 31, 2022: EUR 14.9 million). Current liabilities amounted to EUR 14.1 million at the end of March 2023, and thus above the level at the end of 2022 (December 31, 2022: EUR 12.5 million). This is primarily due to an increase by 34% to EUR 6.6 million in deferred revenue due to annual advance payments for cloud and support contracts. The **equity ratio** as of the interim balance sheet date was 32%, and therefore somewhat lower than at December 31, 2022 at 34%.



The **cash flow** from current operating activities amounted to EUR 1.5 million in the first quarter compared to EUR 3.2 million in the prior-year period. The cash outflow from investment activities amounted to EUR -0.2 million, compared with EUR -2.6 million in prior-year quarter, primarily due to the acquisition of Sparque B.V. The cash outflow from financing activities of EUR -0.5 million was slightly above the prior-year level of EUR -0.4 million. Overall, cash and cash equivalents increased by 6% to EUR 11.1 million at the end of the first quarter 2023 (December 31, 2022: EUR 10.5 million).

## Management Board

The Supervisory Board of INTERSHOP Communications AG appointed Petra Stappenbeck as a member of the Management Board as Chief Financial Officer (CFO) effective as of January 1, 2023. She therefore joins the current CEO, Markus Klahn. The graduate of Business Administration has been employed at Intershop as Director of Finance since 2012 and was appointed as an authorized signatory in 2013. Moreover, she has been part of the Intershop Executive Management Team since May 2021.

## Employees

As of March 31, 2023, the Intershop Group had 299 full-time employees worldwide.

The following overview shows the breakdown of full-time employees by business unit.

Employees by department*	March 31, 2023	Dec. 31, 2022	March 31, 2022
Technical Departments (Service functions, Research and Development)	225	226	226
Sales and Marketing	45	43	39
General and administrative	29	28	29
	299	297	294

\*based on full time staff, including students and trainees

As of March 31, 2023, the number of employees in Europe was 255 or 85% of the workforce. There were 24 employees (8%) in the Asia-Pacific region, and with 20 employees the share of the employees in the U.S. was at 7%.

## Outlook

The overall economic situation in 2023 is subject to significant uncertainties. Despite a slight fall in the inflation rate, the price pressure particularly triggered by the war in Ukraine remains altogether high. According to the IMF, this is also due to the higher than expected demand resulting from a robust labor market in a number of regions, which could make further tightening the monetary policy necessary. In addition, there was turbulence in the banking sector at the beginning of 2023. However, according to the U.S. analysis company Gartner, the forecasts continue to be stable for the IT sector. Gartner expects an increase in global IT expenditure of 5.5% to USD 4.6 trillion for 2023 and forecasts an increase of 8.6% to USD 5.0 trillion for 2024. According to the Gartner analysts, this is particularly due to the fact that even macroeconomic uncertainties cannot stop digital transformation, as companies in this sector must keep pace. According to AgileIntel Research, the B2B e-Commerce market is expected to grow by an average of 14.5% every year until 2026 to a volume of USD 36.2 trillion.

The Intershop platform takes a technologically leading role in the B2B commerce market, which is repeatedly confirmed by external analyses. As shown in the latest "Paradigm B2B Combine" analyst report, customers particularly appreciate the mature product features, flexible pricing, strong workflows and functions for managing targeted promotions and a reliable Content Management System. Based on the positive estimates by the industry analysts, Intershop, with its powerful platform, has positioned itself as a major player in the B2B market for the implementation of digital transformation. Despite the reluctance of potential new customers in the first quarter of 2023 due to developments in the overall economy, the management of Intershop assumes that the demand for Intershop solutions will increase significantly again in the course of the year. For instance, Intershop has been able to win Toolineo GmbH & Co. KG as a new customer. Toolineo is an online marketplace for professional craft supplies that has been established for seven years and has high ambitions for further growth. It is a 100% subsidiary of Einkaufsbüro deutscher Eisenhändler GmbH, Europe's largest purchasing and marketing confederation in the industrial B2B sector. In the context of the cooperation, the IT behind Toolineo will be gradually redesigned over a period of two years. For Intershop, this means not only a high cloud order intake but also additional large-volume service orders for the Intershop Professional Services Team. Thus, Intershop confirms its projection for the 2023 fiscal year and expects a significant increase in cloud and subscription sales with a continued increase in the cloud margin. In the maintenance and licenses segments, a slight decline in revenues is expected as a result of the changed business model. Intershop also expects significant growth in the service segment once the measures for enhancing efficiency take effect in the course of the year. Based on these assumptions, Intershop expects an increase of more than 10% in incoming cloud orders as well as in Net New ARR for the 2023 fiscal year. In addition, a growth in revenues of more than 10% and a balanced operating result (EBIT) is projected.

Jena, April 25, 2023

The Management Board of INTERSHOP Communications Aktiengesellschaft

  
Markus Klahn

  
Petra Stappenbeck



# Consolidated Balance Sheet

in EUR thousand	March 31, 2023	December 31, 2022
<b>ASSETS</b>		
<b>Noncurrent assets</b>		
Intangible assets	14,145	14,385
Property, plant and equipment	510	531
Rights of use IFRS 16	9,539	9,287
Other noncurrent assets	412	401
Restricted cash	246	249
Deferred tax assets	105	109
	<b>24,957</b>	<b>24,962</b>
<b>Current assets</b>		
Trade receivables	4,158	4,901
Other receivables and other assets	1,601	919
Cash and cash equivalents	11,127	10,471
	<b>16,886</b>	<b>16,291</b>
<b>TOTAL ASSETS</b>	<b>41,843</b>	<b>41,253</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>		
<b>Shareholders' equity</b>		
Subscribed capital	14,582	14,194
Capital reserve	3,030	2,575
Other reserves	(4,027)	(2,915)
	<b>13,585</b>	<b>13,854</b>
<b>Noncurrent liabilities</b>		
Warrant Bond	2,213	3,081
Liabilities to banks	1,492	1,617
Leasing liabilities IFRS 16	8,260	8,067
Other noncurrent liabilities	2,209	2,168
	<b>14,174</b>	<b>14,933</b>
<b>Current liabilities</b>		
Other current provisions	228	368
Liabilities to banks	497	497
Trade accounts payable	1,597	1,676
Income tax liabilities	60	60
Leasing liabilities IFRS 16	1,508	1,428
Other current liabilities	3,552	3,466
Deferred revenue	6,642	4,971
	<b>14,084</b>	<b>12,466</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>41,843</b>	<b>41,253</b>

# Consolidated Statement of Comprehensive Income

	Three months ended March 31,	
in EUR thousand	2023	2022
<b>Revenues</b>		
Software and Cloud Revenues	5,690	5,975
Service Revenues	3,181	3,238
	<b>8,871</b>	<b>9,213</b>
<b>Cost of revenues</b>		
Cost of revenues - Software and Cloud	(2,649)	(2,193)
Cost of revenues - Services	(2,615)	(2,510)
	<b>(5,264)</b>	<b>(4,703)</b>
Gross profit	3,607	4,510
<b>Operating expenses, operating income</b>		
Research and development	(1,794)	(1,880)
Sales and marketing	(1,941)	(1,946)
General and administrative	(818)	(822)
Other operating income	90	195
Other operating expenses	0	(26)
	<b>(4,463)</b>	<b>(4,479)</b>
Result from operating activities	(856)	31
Interest income	1	0
Interest expense	(141)	(89)
<b>Financial result</b>	<b>(140)</b>	<b>(89)</b>
Earnings before tax	(996)	(58)
Income taxes	(46)	(74)
Earnings after tax	(1,042)	(132)
Other comprehensive income:		
Exchange differences on translating foreign operations	(70)	86
<b>Other comprehensive income from exchange differences</b>	<b>(70)</b>	<b>86</b>
<b>Total comprehensive income</b>	<b>(1,112)</b>	<b>(46)</b>
Earnings per share (EUR, basic, diluted)	(0.07)	(0,01)

# Consolidated Statement of Cash Flows

in EUR thousand	Three months ended March 31,	
	2023	2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Earnings before tax	(996)	(58)
<i>Adjustments to reconcile net profit/loss to cash used in operating activities</i>		
Financial result	140	89
Depreciation and amortization	851	769
Other noncash expenses and income	(9)	(99)
<i>Changes in operating assets and liabilities</i>		
Accounts receivable	695	267
Other assets	(681)	(679)
Liabilities and provisions	(109)	559
Deferred revenue	1,688	2,473
Net cash provided by (used in) operating activities before income tax and interest	1,579	3,321
Interest received	1	0
Interest paid	(58)	(47)
Income taxes paid	(50)	(71)
Net cash provided by (used in) operating activities	1,472	3,203
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payments for investments in intangible assets	(170)	(1,903)
Purchases of property and equipment	(38)	(54)
Disbursement as part of a company acquisition	0	(691)
Net cash provided by (used in) investing activities	(208)	(2,648)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments from partial repayment of a warrant bond	(850)	0
Repayments of loans	(124)	0
Payments from issuance of common stock	850	0
Payments for leasing liabilities	(418)	(390)
Net cash provided by (used in) financing activities	(542)	(390)
Effect of change in exchange rates	(66)	102
Net change in cash and cash equivalents	656	267
Cash and cash equivalents, beginning of period	10,471	12,209
Cash and cash equivalents, end of period	11,127	12,476

## Consolidated Statement of Shareholders' Equity

in EUR thousand	Other reserves						
	Common shares (Number shares)	Subscribed capital	Capital reserve	Conversion reserve	Cumulative profit/ loss	Cumulative currency differences	Total shareholders' equity
<b>Balance, January 1, 2023</b>	<b>14,194,164</b>	<b>14,194</b>	<b>2,575</b>	<b>(93)</b>	<b>(4,944)</b>	<b>2,122</b>	<b>13,854</b>
Total comprehensive income					(1,042)	(70)	(1,112)
Issue of new shares	388,127	388	455				843
Balance, March 31, 2023	14,582,291	14,582	3,030	(93)	(5,986)	2,052	13,585
<b>Balance, January 1, 2022</b>	<b>14,194,164</b>	<b>14,194</b>	<b>2,575</b>	<b>(93)</b>	<b>(1,387)</b>	<b>2,119</b>	<b>17,408</b>
Total comprehensive income					(132)	86	(46)
Changes in the basis of consolidation			(180)				(180)
Balance, March 31, 2022	14,194,164	14,194	2,395	(93)	(1,519)	2,205	17,182

## Intershop-Shares

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Stock Market Data on Intershop Shares	
ISIN	DE000A254211
WKN	A25421
Stock market symbol	ISHA
Admission segment	Prime standard/ Regulated market
Sector	Software
Membership of Deutsche Börse indices	CDAX, Prime All Share, Technology All Share



### **Investor Relations Contact**

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