



Preview Q3: Still in the black despite higher R&D expenditures

Intershop will report Q3 numbers on October 21st. We expect a significantly higher gross profit margin due to an improved cloud profitability. However, progress at the EBIT level should be only modest, as R&D expenditures have been flagged to increase. Because of this, we think Intershop will keep its EBIT guidance untouched for now. Buy, PT EUR 5.90.

EBIT should be down qoq due to higher R&D expenditures

Intershop will report Q3 numbers on October 21st, as usual one of the first companies in the market. We see two opposing effects on profitability in Q3: to begin with, we expect a significantly higher gross profit margin at the backdrop of an improved cloud profitability. However, we anticipate only a modest progress at the EBIT level, as Intershop has announced higher R&D expenditures. Last quarter, this effect was disguised by a one-off gain of EUR 0.4m. As we don't expect this effect to repeat in Q3, we expect EBIT to be below the level in Q2 (EUR 0.6m) but still clearly in the black.

Intershop might raise the cloud-related guidance

After H1, Intershop did not change the full year guidance, which points at a slight increase of group revenues and slightly positive EBIT. Furthermore, Intershop still anticipated an increase of cloud order entry by at least 10% and a slight increase of net new ARR. Against the backdrop of the accelerated R&D expenditures, we believe that Intershop will not lift the EBIT guidance after Q3. In contrast, the cloud-related outlook appears increasingly conservative against the backdrop of recent strong numbers, in our view, and there might be some room for a guidance raise.

EURm	2019	2020	2021e	2022e	2023e
Revenues	32	34	36	40	45
EBITDA	(2)	4	6	8	9
EBIT	(6)	1	2	3	4
EPS	(0.48)	0.06	0.12	0.23	0.30
EPS adj	(0.44)	0.06	0.12	0.23	0.30
DPS	-	-	-	-	-
EV/EBITDA	-	8.4	11.9	8.6	6.9
EV/EBIT	-	37.5	34.0	18.7	14.0
P/E adj	-	55.7	43.7	23.2	17.7
P/B	2.71	2.70	4.12	3.50	2.92
ROE (%)	-	5.0	9.9	16.3	18.0
Div yield (%)	-	-	-	-	-
Net debt	(6)	(7)	(8)	(10)	(12)

Source: Pareto

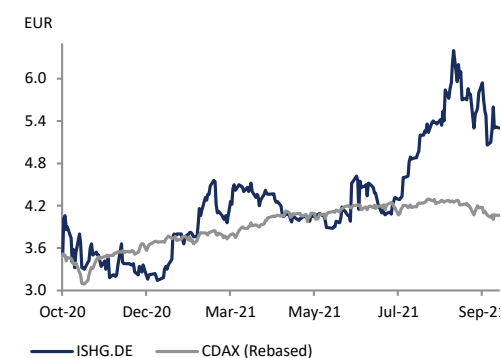
Target price (EUR)	5.9
Share price (EUR)	5.3

Forecast changes			
%	2021e	2022e	2023e
Revenues	-	-	-
EBITDA	-	-	-
EPS reported	-	-	-
EPS adj	-	-	-

Source: Pareto

Ticker	ISHG.DE, ISH2 GY
Sector	Software & Services
Shares fully diluted (m)	14.2
Market cap (EURm)	75
Net debt (EURm)	-8
Minority interests (EURm)	0
Enterprise value 21e (EURm)	68
Free float (%)	51

Performance



Source: Factset

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Our view on Q3

Exhibit 1: Our view on Q3

Intershop		Actual Q3 2020	Pareto Q3 2021e	yoy (%)	Pareto estimates 2021e	2022e
Revenues	EURm	7.9	9.7	23	36.3	39.9
of which: Licenses	"	0.6	0.9	45	3.8	3.4
of which: Maintenance	"	2.0	2.0	0	8.0	8.0
of which: Cloud / Subscription	"	1.8	3.5	92	10.8	15.3
of which: Services	"	3.4	3.3	-4	13.7	13.2
Gross profit	"	3.5	4.9	38	17.9	21.5
margin	%	45.0%	50.5%	549 BP	49.5%	53.9%
EBIT	EURm	0.1	0.4	319	2.0	3.5
margin	%	1.3%	4.4%	309 BP	5.5%	8.8%
Other cloud-related KPI						
Incoming cloud orders	EURm	3.9	5.1	29	19.8	25.7
ARR from cloud	"	8.4	11.7	40	12.8	17.3
New ARR	"	1.0	1.0	7	4.0	5.1
Net new ARR	"	0.9	0.9	5	3.5	4.5
Implied chum	"	0.1	0.1	22	0.5	0.6

Source: Pareto Securities Research

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We see two opposing effects on profitability in Q3: We expect a significantly higher gross profit margin at the backdrop of an improved cloud gross margin. However, we anticipate only a modest progress at the EBIT level, as Intershop has announced after H1 to beef up its R&D expenditures to keep its product suite competitive. Last quarter, this effect was disguised by a one-off gain of EUR 0.4m resulting from Corona-related government aids. As we don't expect this effect to repeat in Q3, we expect EBIT to be below the level in Q2 (EUR 0.6m) but still clearly in the black.

After H1, Intershop did not change the full year guidance, which points at a slight increase of group revenues and slightly positive EBIT. Furthermore, Intershop still anticipated an increase of cloud order entry by at least 10% and a slight increase of net new ARR. Against the backdrop of the accelerated R&D investments, we believe that Intershop will not lift the EBIT guidance after Q3. In contrast, the cloud-related outlook appears increasingly conservative against the backdrop of recent strong numbers, in our view, and there might be some room for a guidance raise.

At a glance

Exhibit 2: At a glance

Business units	Licenses		Maintenance	Cloud / Subscription	Services
Products & services	Intershop Commerce Suite builds the core of the product offering. The commerce platform can be employed "ready-to-use" or on a modular basis according to customers' needs. Intershop's solutions contain commerce management, product information management, experience management as well as omni-channel order management. Deployment modes are either on-premise, per private cloud or as CaaS (Commerce-as-a-Service). Services include strategic digital consulting, project management, complete or partly operation of the commerce business (Full Service Commerce), as well as training and support.				
Customers	Globally, more than 300 customers, which are mainly active in the manufacturing, retail / wholesale, automotive, and energy industries. Top 25 customers account for c. 66% of revenue.				
Market share & positioning	In its relevant market segment, Intershop accounts for c. 5% of market share, while in the total e-commerce software market Intershop solutions are implemented in less than 2% of all online shops. Intershop is an engineering-driven company, with a focus on a strong performance and a reliable system, thus a quality-oriented company.				
Drivers	Increasing internet penetration (+) Underlying growth in e-commerce business and associated shift from brick-and-mortar retail to e-commerce / omni-channel commerce (+) Changing B2B buyer demographics towards a more digital native buyer group (+) Amazon move into B2B e-commerce business (substitution via marketplaces and strong independent online shops) (-)				
Main competitors	Main competitors: Hybris (by SAP), WebSphere Commerce (by IBM), Oracle NetSuiteCommerce (B2B solution by Oracle), Oracle Commerce Platform (by Oracle), CloudCraze (B2B solution recently acquired by salesforce.com), Salesforce Commerce (formerly Demandware, B2C solution by salesforce.com), Magento Commerce (recently acquired by Adobe) Non-listed competitors: Insite Software (B2B solution), OROCommerce (B2B solution), Shopware (strong German presence), OXID eSales (strong German presence)				
Strategy, guidance & consensus	Strategy: (I) "Cloud first" (II) B2B Focus, tilted towards SMB via CaaS offering (III) Extending technological functionalities and sales channels via Microsoft partnership (IV) Strengthening marketing capabilities		Guidance Revenue slight increase EBIT slightly positive		Pareto Revenue yoy 7.9% EBIT EUR 2m EBIT margin 5.5% Consensus EUR 36m EUR 1.6m 4.5%
2020	Sales (EURm) 33.6 y/y 6.2%	EBITDA 4.5 Margin 13.2%	EBIT (EURm) 1.0 Margin 3.0%	5Y sales CAGR 1.2% Organic growth y/y 4.7%	
Sales & EBIT split	Sales split by product / service 		Sales split by region 		Group financial development
Management & shareholder structure	Markus Klahn Chief Executive Officer (since 2021) • With Intershop since 2018, first as Chief Sales Officer • >20 years experience in the software industry • Responsibilities: Corporate Strategy • Prior to joining Intershop, Mr Klahn was active in the ERP and SaaS business after having been on the management board of proALPHA Consulting AG.			Shareholder structure 	
# of employees FY 2020	299				

Source: Pareto Securities Research

PROFIT & LOSS (fiscal year) (EURm)	2016	2017	2018	2019	2020	2021e	2022e	2023e
Revenues	34	36	31	32	34	36	40	45
EBITDA	0	3	(4)	(2)	4	6	8	9
Depreciation & amortisation	(2)	(2)	(2)	(4)	(3)	(4)	(4)	(5)
EBIT	(2)	0	(6)	(6)	1	2	3	4
Net interest	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
Other financial items	-	-	-	-	-	-	-	-
Profit before taxes	(3)	0	(6)	(7)	1	2	3	4
Taxes	(0)	(1)	(1)	(0)	(0)	(0)	0	0
Minority interest	-	-	-	-	-	-	-	-
Net profit	(3)	(1)	(7)	(7)	1	2	3	4
EPS reported	(0.28)	(0.06)	(0.20)	(0.48)	0.06	0.12	0.23	0.30
EPS adjusted	(0.21)	(0.06)	(0.19)	(0.44)	0.06	0.12	0.23	0.30
DPS	-	-	-	-	-	-	-	-
BALANCE SHEET (EURm)	2016	2017	2018	2019	2020	2021e	2022e	2023e
Tangible non current assets	1	1	1	1	1	1	1	2
Other non-current assets	10	10	10	12	11	11	12	12
Other current assets	6	6	5	7	7	7	8	8
Cash & equivalents	11	9	7	8	12	12	14	17
Total assets	27	25	23	28	29	31	35	39
Total equity	16	15	14	16	17	18	22	26
Interest-bearing non-current debt	3	2	2	0	5	5	5	5
Interest-bearing current debt	1	1	2	1	-	-	-	-
Other Debt	7	7	6	10	8	8	9	9
Total liabilities & equity	27	25	23	28	29	31	35	39
CASH FLOW (EURm)	2016	2017	2018	2019	2020	2021e	2022e	2023e
Cash earnings	(0)	2	(5)	(0)	5	4	5	7
Change in working capital	(0)	(0)	1	(1)	(0)	(0)	(0)	(1)
Cash flow from investments	(2)	(3)	(3)	(3)	(2)	(3)	(3)	(3)
Cash flow from financing	(1)	(1)	5	6	1	-	-	-
Net cash flow	(4)	(2)	(2)	0	4	1	2	3
CAPITALIZATION & VALUATION (EURm)	2016	2017	2018	2019	2020	2021e	2022e	2023e
Share price (EUR end)	3.21	5.2	3.94	3.00	3.14	5.3	5.3	5.3
Number of shares end period	11	11	35	14	14	14	14	14
Net interest bearing debt	(7)	(6)	(4)	(6)	(7)	(8)	(10)	(12)
Enterprise value	28	50	133	36	37	68	66	63
EV/Sales	0.8	1.4	4.3	1.2	1.1	1.9	1.6	1.4
EV/EBITDA	-	17.7	-	-	8.4	11.9	8.6	6.9
EV/EBIT	-	-	-	-	37.5	34.0	18.7	14.0
P/E reported	-	-	-	-	55.7	43.7	23.2	17.7
P/E adjusted	-	-	-	-	55.7	43.7	23.2	17.7
P/B	2.2	3.7	10.1	2.7	2.7	4.1	3.5	2.9
FINANCIAL ANALYSIS & CREDIT METRICS	2016	2017	2018	2019	2020	2021e	2022e	2023e
ROE adjusted (%)	-	-	-	-	5.0	9.9	16.3	18.0
Dividend yield (%)	-	-	-	-	-	-	-	-
EBITDA margin (%)	0.3	7.9	-	-	13.2	15.6	19.1	20.4
EBIT margin (%)	-	1.2	-	-	3.0	5.5	8.8	10.0
NIBD/EBITDA	(63.06)	(2.18)	1.13	2.64	(1.60)	(1.36)	(1.28)	(1.37)
EBITDA/Net interest	4.30	8.53	-	-	35.60	22.65	30.49	36.92

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Aker BP	0	23,401	Frontline	0	78,753	Pareto Bank	0	1,265,934
Aker Carbon Capture	0	20,571	Gjensidige Forsikring	0	7,728	Pexip Holding	0	65,563
Aker Clean Hydrogen	0	130,000	Golden Ocean Group	0	1,433	PGS	0	11,676
Aker Horizons	0	125,848	Grieg Seafood	0	8,127	Protector Forsikring	0	14,000
Aker Offshore Wind	0	165,228	Hafnia Ltd.	0	10,000	Quantafuel	0	10,797
Aker Solutions	0	3,678	Huddly	0	98,1523	REC Silicon	0	39,716
American Shipping Co.	0	13,300	Hunter Group	0	308,500	SalMar	0	2,709
Aprila Bank ASA	0	22,675	HydrogenPro	0	37,552	Salmon Evolution	0	100,000
Archer	0	30,170	Ice Fish Farm	0	2,000	Sandnes Sparebank	0	4,013
ArcticZymes Technologies	0	684	ice Group ASA	0	200,000	Scatec	0	20,412
Atlantic Sapphire	0	1,607	Icelandic Salmon AS	0	535	Selvaag Bolig	0	2,050
Austevoll Seafood	0	4,235	Kalera	0	54,027	Sparebank 1Nord-Norge	0	3,350
Avance Gas	0	3,362	Kitron	0	18,386	Sparebank 1SMN	0	12,740
B2Holding AS	0	19,940	Komplett Bank	0	110,500	Sparebank 1SR-Bank	0	8,590
BASF	270	270	Kongsberg Gruppen	0	36,023	SpareBank 1Østfold Akershus	0	1,252
Belships	0	10,825	KWS	75	75	SpareBank 1Østlandet	0	9,621
Bonheur	0	32,075	Lerøy Seafood Group	0	39,328	Sparebanken Sør	0	16,435
Borregaard ASA	0	650	Mercell	0	24,863	Sparebanken Vest	0	16,735
Bouvet	0	2,940	Mowi	0	3,661	Sparebanken Øst	0	1,500
BRABank	0	31,499	MPC Container Ships	0	36,311	Stolt-Nielsen	0	1,817
BW Energy	0	59,050	NEXT Biometrics	0	411,001	Storebrand	0	25,698
BW Offshore	0	16,076	Nordic Semiconductor	0	4,391	Subsea 7	0	11,698
Cloudberry Clean Energy	0	100,000	Noreco	0	790	Telenor	0	9,752
DNB	0	44,449	Norsk Hydro	0	91,519	Vow	0	8,681
DNO	0	151,978	Norske Skog	0	98,225	Wallenius Wilhelmsen	0	57,070
Elkem	0	35,426	NTS	0	2,272	XXL	0	16,923
Entra	0	9,977	Ocean Yield	0	90,410	Yara	0	14,133
Equinor	0	2,900	OHT	0	6,650	Zaptec	0	9,000
Euopris	0	11,208	Okeanis Eco Tankers	0	2,000			

This overview is updated monthly (last updated 15.09.2021).

*Analyst holdings refer to positions held by the Pareto Securities AS analyst covering the company.

Appendix B

Disclosure requirements in accordance with Article 6(1)(c)(iii) of Commission Delegated Regulation (EU) 2016/958

Overview over issuers of financial instruments where Pareto Securities AS have prepared or distributed investment recommendation, where Pareto Securities AS have been lead manager/co-lead manager or have rendered publicly known not immaterial investment banking services over the previous 12 months:

24SevenOffice Scandinavia	DigiPlex	Kistosplc.	Pelagia Holding AS	West Coast Salmon
2G Energy	DLT	KlavenessCombination CarriersASA	PetroNor E&P	Wheel.me
Avanzia Bank S.A.	Documaster AS	KLP	PetroTal	Xeneta AS
Africa Energy Corp Corp	EcoOnline	Komplett ASA	PHM Group	ZTL Payment Solution AS
Aker ASA	ELOP	Komplett Bank	Ping Petroleum UK Limited	Ørn Software
Aker Clean Hydrogen	Endur ASA	Kraft Bank	Pronofa AS	
Aker Horizons	Energiean Israel Finance Ltd.	Lakers Holding AS	Proximar Seafood	
Akershus Energi	Enviv AS (Bookis)	Lumarine AS	Pryme	
Akva Group	Fertiberia S.A.R.L.	Maha Energy	Quantafuel	
Arcane Crypto	Flexistore AS	Malorama Holding AS	REC Silicon	
Arctic Fish	FREYR Battery	Mathesa Bostadsbolaget AB	Saga Robotics	
Arendals Fossekompani	Funkwerk AG	Meltwater	Salmon Evolution	
Attensi	Genel Energy	Mercell	Scorpio Bulkers	
Barramundi Group Pte. Ltd.	Gjensidige Forsikring	Mintra Group	Seafire AB	
Belships	Golden Ocean Group	Modex AS	SFL Corporation Ltd	
BioInvent	Goliath Offshore	Mutares SE & Co. KGaA	SGL TransGroup International A/€	
Biomega Group AS	Halodi Robotics AS	Müller Medien GmbH (United Vertical)	Shamaran Petroleum	
Bonheur	Heimdall Power	Navios	Siccar Point Energy	
Brooge Energy Limited	HKN Energy Ltd	Navios Maritime Acquisitions	Skitude	
Bulk Infrastructure Holding	Hofseth BioCare	Next Biometrics Group	Smart Wires Inc.	
BW Energy	House of Control	Nordic Halibut	Strandline Resources Limited	
BWLPG	Huddly	Noreco	Talos Energy Inc	
Cavai AS	HydrogenPro	Norlandia Health & Care Group AS	Tise AS	
CentralNic Group PLC	Ice Group Scandinavia Holdings AS	Norse Atlantic	Trønderenergi AS	
Circa Group	Idavang A/S	Norske Skog	Vegfinans AS	
Cloudberry Clean Energy	Kalera	Norwegian Block Exchange	Viking ACQ 1 AS, SPAC	
CrayoNano AS	Kentech Global Plc	OHT	Vow	
Dampskibsselskabet NORDEN A/S	Keppel FELS Limited	Panoro Energy	Watercircles Forsikring	

This overview is updated monthly (this overview is for the period 31.08.2020 – 31.08.2021).

Appendix C

Disclosure requirements in accordance with Article 6(3) of Commission Delegated Regulation (EU) 2016/958

Distribution of recommendations

Recommendation	% distribution
Buy	70%
Hold	28%
Sell	2%

Distribution of recommendations (transactions*)

Recommendation	% distribution
Buy	96%
Hold	4%
Sell	0%

* Companies under coverage with which Pareto Securities Group has on-going or completed public investment banking services in the previous 12 months.

This overview is updated monthly (last updated 15.09.2021).

Appendix D

This section applies to research reports prepared by Pareto Securities AB.

Disclosure of positions in financial instruments

The beneficial holding of the Pareto Group is 1 % or more of the total share capital of the following companies included in Pareto Securities AB's research coverage universe: None

The Pareto Group has material holdings of other financial instruments than shares issued by the following companies included in Pareto Securities AB's research coverage universe: None

Disclosure of assignments and mandates

Overview over issuers of financial instruments where Pareto Securities AB has prepared or distributed investment recommendation, where Pareto Securities AB has been lead manager or co-lead manager or has rendered publicly known not immaterial investment banking services over the previous twelve months:

24SevenOffice Scandinavia AB	Climeon AB	Isofol Medical AB	Re.NewCell
Azelio	Egetis Therapeutics	Linkfire A/S	Surgical Science
Bionvent	Green Landscaping Group AB	LMK Group	Swedencare AB
Biovica International	Hexicon	Maha Energy	Vicore Pharma
Cibus Nordic Real Estate AB	Implantica	Media & Games Invest plc.	VNV Global

Members of the Pareto Group provide market making or other liquidity providing services to the following companies included in Pareto Securities AB's research coverage universe:

Africa Energy Corp.	Logistri Fastighets AB	Minesto	Shamran Petroleum
ByggPartner i Dalarna Holding	Magnolia Bostad	Saltängen Property Invest	Surgical Science
Cibus Nordic Real Estate	Media & Games Invest plc.	SciBase Holding	Tethys Oil
Isofol Medical	Mentice AB	Sedana Medical	Vostok Emerging Finance

Members of the Pareto Group have entered into agreements concerning the inclusion of the company in question in Pareto Securities AB's research coverage universe with the following companies: None
Member of the Pareto Group is providing Business Management services to the following companies:

Bosjö Fastigheter AB	Bråviken Logistik	Halmslätten	Mälårasen
Bonäsudden	Delarka	Logistri	Sydsvenska Hem

Members of the Pareto Group have entered into agreements concerning the inclusion of the company in question in Pareto Securities AB's research coverage universe with the following companies: None
This overview is updated monthly (last updated 15.09.2021).

Appendix E

Disclosure requirements in accordance with Article 6(1)(c)(i) of Commission Delegated Regulation (EU) 2016/958

Designated Sponsor

Pareto Securities acts as a designated sponsor for the following companies, including the provision of bid and ask offers. Therefore, we regularly possess shares of the company in our proprietary trading books. Pareto Securities receives a commission from the company for the provision of the designated sponsor services.

2G Energy *	GFT Technologies *	Merkur Bank	SMT Scharf AG *
Biotest *	Gigaset *	MLP *	Surteco Group *
CORESTATE Capital Holding S.A.	Heidelberg Pharma *	mutares	Syzygy AG *
Daldrup & Söhne	Intershop Communications AG	OVB Holding AG	TAKKT AG
Demire	Leifheit	Procredit Holding *	Viscom *
Epigenomics AG*	Logwin *	PSI SOFTWARE AG *	
Gesco *	Manz AG *	PWO *	
Gerry Weber	MAX Automation SE	S&T AG *	

* The designated sponsor services include a contractually agreed provision of research services.

Appendix F

Disclosure requirements in accordance with Article 6(1)(c)(iv) of Commission Delegated Regulation (EU) 2016/958

Sponsored Research

Pareto Securities has entered into an agreement with these companies about the preparation of research reports and—in return—receives compensation.

Adler Modemaerkte	Dermapharm Holding SE	Intershop Communications AG	mutares
Baywa	Enapter	Leifheit	OHB SE
BB Biotech	Expres2ion Biotechnologies	MAX Automation SE	OVB Holding AG
CLIQ Digital	Gerry Weber	Merkur Bank	Siegfried Holding AG
Daldrup & Söhne	Hypoport AG	Mynarc	

This overview is updated monthly (last updated 15.09.2021).