

22 July 2021

Intershop Communications AG

Rating Hold
Share price (EUR) 4.23
Target price (EUR) 4.57

Bloomberg ISHA GR
Sector Retail

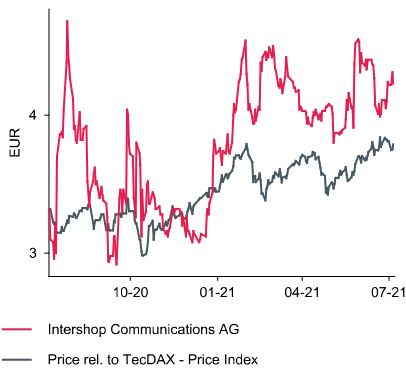
Share data

Shares out (m) 14.2
Free float (%) 62.40
Market cap (EUR m) 64
EV (EUR m) 53
DPS (EUR) 0.00
Dividend yield (%) 0.0
Payout ratio (%) 0.0

Performance

ytd (%) 34.7
12 months (%) 28.2
12 months rel. (%) 14.1
Index TecDAX

Share price performance



Source: Bloomberg

Next triggers

21.10.2021: Q3 figures

Analysts

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Intershop reports convincing set of H1 figures

This morning, on July 22, Intershop published its results for H1 2021. Revenues were up 10.9% yoy and 2.2% better than we expected. Even more encouraging is Intershop's EBIT margin at 5.5% vs. 3.0% last year. This is very positive, especially in the context of 11% higher operating expenses – mostly important R&D investments. The optimized cost structure together with a higher share of recurring revenues again had a strong positive effect on their margins. 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 again improved, also due to the higher share of recurring revenues and higher stability and predictability that comes with it. We confirm our Hold recommendation and target price of EUR 4.57, based on our DCF model.

Positive development of cloud & subscription revenues

Cloud and subscription revenues rose by a total of 48% yoy to EUR 5.1m. Incoming orders for cloud solutions (new and existing customers) were up 31% yoy and amounted to EUR 9.7m.

Strong balance sheet as of H1

The company's equity ratio is at a high 44%. Cash and cash equivalents amounted to EUR 11.6m.

Guidance 2021

Intershop confirmed its guidance and expects moderately growing revenues and a slightly positive EBIT in 2021. Both in line with our expectations.

Intershop Communications AG - H1 2021

EUR m	H1 2021	H1 2020	yoy	Quirin est.	delta
Revenues	18.3	16.5	10.9%	17.9	2.2%
EBIT	1.00	0.50	100.0%	0.96	4.2%
EBIT margin	5.5%	3.0%	243 BP	5.4%	10 BP

Source: Intershop Communications AG, Quirin Privatbank AG

Key figures

		2019	2020	2021e	2022e	2023e
Sales	EUR m	32	34	35	37	40
EBITDA	EUR m	-2	4	4	4	5
EBIT	EUR m	-6	1	1	1	2
EPS	EUR	-0.50	0.05	0.06	0.07	0.09
Sales growth	%	n.a.	6.3	4.7	6.0	6.5
EBITDA margin	%	-7.3	13.3	11.3	11.2	11.9
EBIT margin	%	-20.5	3.1	3.5	4.0	5.0
Net margin	%	-21.0	2.2	2.5	2.7	3.4
EV/Sales	ratio	0.26	1.05	1.52	1.40	1.28
EV/EBITDA	ratio	-3.5	7.9	13.4	12.5	10.7
EV/EBIT	ratio	-1.3	33.8	43.4	35.1	25.5
P/E	ratio	-6.3	67.6	50.1	43.4	33.4

Source: Bloomberg, Company data, Quirin Privatbank estimates

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DCF Valuation

We have derived our target price for Intershop from our DCF model. With a WACC of 6.8% (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 6.3% fading to a perpetual growth rate of 1.5% and a sustainable long-term EBIT margin of 11% our DCF model derives a fair value of EUR 4.57 per share. Hence, we confirm our Hold recommendation.

DCF Model for Intershop Communications AG

(EUR m)	2021e	2022e	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	TV
Sales	35.2	37.3	39.7	42.2	44.7	47.0	49.0	50.8	52.3	53.5	
growth yoy	4.7%	6.0%	6.5%	6.3%	5.8%	5.1%	4.4%	3.7%	3.0%	2.3%	
EBIT	1.2	1.5	2.0	2.5	2.7	3.3	3.9	4.6	5.2	5.9	
EBIT margin	3.5%	4.0%	5.0%	6.0%	6.0%	7.0%	8.0%	9.0%	10.0%	11.0%	
Taxes	-0.2	-0.3	-0.5	-0.8	-0.8	-1.0	-1.2	-1.4	-1.6	-1.8	
Tax rate	13%	20%	25%	30%	30%	30%	30%	30%	30%	30%	
Depreciation	2.8	2.7	2.7	2.7	2.7	3.1	3.3	3.5	3.6	3.7	
% of sales	7.8%	7.2%	6.9%	6.3%	6.0%	6.5%	6.8%	6.9%	6.9%	7.0%	
Capex	-2.8	-3.0	-2.8	-3.0	-3.1	-3.3	-3.4	-3.6	-3.7	-3.7	
% of sales	8.0%	8.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	
Δ NWC	0.0	0.0	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	
% of sales	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	
FCF	1.0	0.8	1.4	1.4	1.4	2.0	2.6	3.1	3.6	4.1	77.3
growth yoy	n.m.	n.m.	n.m.	1.5%	-2.4%	45.9%	27.5%	20.0%	15.9%	13.7%	1.5%
PV FCF	1.0	0.8	1.2	1.1	1.0	1.4	1.7	1.9	2.0	2.2	41.3

Enterprise value	56	PV Forecast Period	14	Risk free rate	2.00%
- Net Debt / Net Cash	-9.3	PV Terminal Value	41	Cost of debt	3.00%
- Pension Provisions	0			Market Premium	5.00%
Equity value	65			Equity ratio	100%
Number of shares	14.2			Company beta	1.0
Value per share (€)	4.57			WACC	6.86%

Source: Quirin Privatbank

Profit & loss statement

Profit & loss statement (EUR m)	2019	YOY	2020	YOY	2021e	YOY	2022e	YOY	2023e	YOY
Sales	31.6	n.a.	33.6	6.3 %	35.2	4.7 %	37.3	6.0 %	39.7	6.5 %
Cost of sales	-20.6		-17.9		-18.8		-19.9		-21.2	
Gross profit	11.1		15.7		16.4		17.4		18.5	
Selling expenses	-8.8		-7.7		-7.9		-8.2		-8.5	
General administrative expenses	-3.4		-3.1		-3.3		-3.5		-3.7	
Research and development costs	-4.6		-3.8		-4.0		-4.2		-4.5	
Other operating income	0.3		0.5		0.4		0.5		0.7	
Other operating expenses	-1.1		-0.5		-0.5		-0.5		-0.6	
EBITDA	-2.3	n.a.	4.5	-292.3 %	4.0	-10.6 %	4.2	4.7 %	4.7	13.0 %
EBITDA margin (%)	-7.35		13.30		11.35		11.21		11.89	
EBIT	-6.5	n.a.	1.0	-116.1 %	1.2	18.0 %	1.5	21.1 %	2.0	33.1 %
EBIT margin (%)	-20.46		3.11		3.50		4.00		5.00	
Net interest	-0.2		-0.1		-0.2		-0.2		-0.2	
Net financial result	-0.2		-0.1		-0.2		-0.2		-0.2	
Exceptional items	0.0		0.0		0.0		0.0		0.0	
Pretax profit	-6.6	n.a.	0.9	-113.6 %	1.0	13.3 %	1.3	25.5 %	1.8	38.6 %
Pretax margin (%)	-20.97		2.68		2.90		3.44		4.47	
Taxes	-0.1		-0.1		-0.1		-0.3		-0.4	
Tax rate (%)	-2.17		12.08		13.00		20.00		25.00	
Earnings after taxes	-6.8		0.8		0.9		1.0		1.3	
Group attributable income	-6.6	n.a.	0.7	-111.0 %	0.9	21.8 %	1.0	15.4 %	1.3	29.9 %
No. of shares (m)	13.4		14.2		14.2		14.2		14.2	
Earnings per share (EUR)	-0.50	n.a.	0.05	-109.3 %	0.06	34.9 %	0.07	15.4 %	0.09	29.9 %

Source: Company data, Quirin Privatbank estimates

Balance sheet

Balance sheet (EUR m)	2019	YOY	2020	YOY	2021e	YOY	2022e	YOY	2023e	YOY
Assets										
Cash and cash equivalents	7.7		11.6		12.7		13.8		15.5	
Accounts receivables	5.5		3.9		4.1		4.4		4.7	
Inventories	1.4		1.0		1.1		1.1		1.2	
Other current assets	0.0		0.0		0.0		0.0		0.0	
Tax claims	0.1		0.1		0.1		0.1		0.1	
Total current assets	14.6	n.a.	16.5	13.0 %	17.9	8.1 %	19.2	7.8 %	21.3	10.6 %
Fixed assets	0.6		0.5		0.6		0.9		0.9	
Goodwill	4.5		5.9		5.9		5.9		5.9	
Other intangible assets	5.4		4.5		4.5		4.5		4.5	
Deferred taxes	0.1		0.1		0.1		0.1		0.1	
Other fixed assets	2.4		1.8		1.8		1.8		1.8	
Total fixed assets	13.0	n.a.	12.8	-1.3 %	12.9	0.4 %	13.2	2.3 %	13.2	0.3 %
Total assets	27.6	n.a.	29.4	6.3 %	30.7	4.7 %	32.4	5.5 %	34.5	6.5 %
Equity & Liabilities										
Subscribed capital	42.6		14.2		14.2		14.2		14.2	
Reserves & other	1.1		2.6		2.6		2.6		2.6	
Revenue reserves	-27.9		-0.2		0.7		1.7		3.0	
Accumulated other comprehensive	0.0		0.0		0.0		0.0		0.0	
Shareholder's equity	15.7	n.a.	16.5	5.1 %	17.4	5.4 %	18.4	5.9 %	19.8	7.2 %
Minorities	0.0		0.0		0.0		0.0		0.0	
Shareholder's equity incl. minorities	15.7	n.a.	16.5	5.1 %	17.4	5.4 %	18.4	5.9 %	19.8	7.2 %
Long-term liabilities										
Pension provisions	0.0		0.0		0.0		0.0		0.0	
Financial liabilities	1.6		2.3		2.3		2.3		2.3	
Tax liabilities	0.1		0.0		0.0		0.0		0.0	
Other liabilities	0.2		3.0		3.2		3.4		3.6	
Total long-term debt	1.8	n.a.	5.4	194.6 %	5.5	2.7 %	5.7	3.5 %	5.9	3.9 %
Short-term debt										
Other provisions	0.4		0.3		0.3		0.3		0.3	
Trade payables	1.7		1.5		1.6		1.6		1.8	
Financial debt	0.0		0.0		0.0		0.0		0.0	
Other liabilities	4.7		3.0		3.2		3.4		3.6	
Total short-term debt	6.8	n.a.	4.8	-29.4 %	5.0	4.7 %	5.3	6.0 %	5.7	6.5 %
Total equity & liabilities	27.6	n.a.	29.4	6.3 %	30.7	4.7 %	32.4	5.5 %	34.5	6.5 %

Source: Company data, Quirin Privatbank estimates

Financial key ratios

Key ratios	2019	2020	2021e	2022e	2023e
Per share data (EUR)					
EPS	-0.50	0.05	0.06	0.07	0.09
Book value per share	1.2	1.2	1.2	1.3	1.4
Dividend per share	0.00	0.00	0.00	0.00	0.00
Valuation ratios					
EV/Sales	0.26	1.05	1.52	1.40	1.28
EV/EBITDA	-3.5	7.9	13.4	12.5	10.7
EV/EBIT	-1.3	33.8	43.4	35.1	25.5
P/E	-6.3	67.6	50.1	43.4	33.4
P/B	2.7	2.7	2.6	2.4	2.3
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0
Growth					
Sales growth (%)	n.a.	6.3	4.7	6.0	6.5
EBITDA growth (%)	n.a.	-292.3	-10.6	4.7	13.0
EBIT growth (%)	n.a.	-116.1	18.0	21.1	33.1
EPS growth (%)	n.a.	-109.3	34.9	15.4	29.9
Profitability ratios					
EBITDA margin (%)	-7.3	13.3	11.3	11.2	11.9
EBIT margin (%)	-20.5	3.1	3.5	4.0	5.0
Net margin (%)	-21.0	2.2	2.5	2.7	3.4
Financial ratios					
Total equity (EUR m)	15.7	16.5	17.4	18.4	19.8
Equity ratio (%)	56.9	56.3	56.7	56.9	57.3
Net financial debt (EUR m)	-6.2	-9.3	-10.4	-11.5	-13.2
Net debt/Equity	0.6	0.6	0.6	0.6	0.6
Interest cover	36.8	-7.3	-5.8	-7.1	-9.4
Net debt/EBITDA	2.7	-2.1	-2.6	-2.7	-2.8
Payout ratio (%)	0.0	0.0	0.0	0.0	0.0
Working Capital (EUR m)	1.9	0.8	0.8	0.9	0.9
Working capital/Sales	0.06	0.02	0.02	0.02	0.02

Source: Company data, Quirin Privatbank estimates

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Price and Rating History (last 12 months)

Date	Price target-EUR	Rating	Initiation
22.07.2021	4.57	Hold	
17.03.2021	4.57	Hold	
27.07.2020	3.35	Hold	11.12.2018

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