

22 October 2021

Intershop Communications AG

Rating Buy (Hold)
Share price (EUR) 5.08
Target price (EUR) 6.00 (4.57)

Bloomberg ISHA GR
 Sector Retail

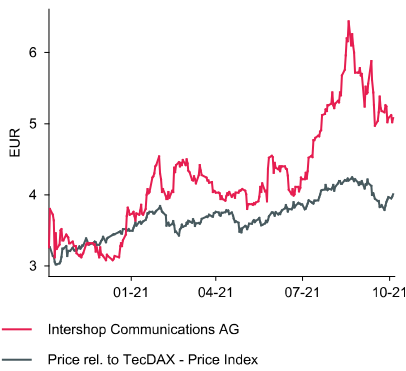
Share data

Shares out (m) 14.2
 Daily volume shs (m) 0.1
 Free float (%) 62.40
 Market cap (EUR m) 72
 EV (EUR m) 61
 DPS (EUR) 0.00
 Dividend yield (%) 0.0
 Payout ratio (%) 0.0

Performance

ytd (%) 61.8
 12 months (%) 52.1
 12 months rel. (%) 29.9
 Index TecDAX

Share price performance



Source: Bloomberg

Next triggers

To be announced

Analysts

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Encouraging 9m figures - Buy

Yesterday, on October 21, Intershop published an encouraging set of results for 9m 2021. Revenues were up 9.5% yoy and 5.1% better than we expected. Even more encouraging is Intershop's EBIT margin at 4.5% vs. 2.5% last year and also well exceeding our expectation. This is very positive, especially in the context of 10% higher operating expenses – mostly important R&D investments in the company's own cloud platform. In our view, the recurring cloud transformation provides a solid foundation to further expand margins and growth. We believe, 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. Therefore, we model higher growth and further improving margins beyond 2021. As a result, we increase our target price from EUR 4.57 to EUR 6.00, based on our DCF model. We upgrade our recommendation to Buy.

Again positive development of cloud & subscription revenues

Cloud and subscription revenues increased by a strong 54% yoy to EUR 8.1m. Incoming cloud orders (new and existing customers) were at the previous-year level of EUR 11.3m. Cloud ARR (annual recurring revenues) were up 36% yoy to EUR 11.4m. Net new ARR increased 31% yoy to EUR 2.1m.

Strong balance sheet

The company's equity ratio declined from 56% to 45% due to an increase of total assets by 31%, which is mainly attributable to the capitalization of the right of use for the rental of the new office premises pursuant to IFRS 16 and therefore, not really a deterioration in our view. Cash and cash equivalents amounted to EUR 11.7m.

Guidance 2021 confirmed

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 - 9m 2021

EUR m	9m 2021	9m 2020	yoy	Quirin est.	delta
Revenues	26.6	24.3	9.5%	25.3	5.1%
EBIT	1.20	0.60	100.0%	1.10	9.1%
EBIT margin	4.5%	2.5%	204 BP	4.3%	16 BP

Source: Intershop Communications AG, Quirin Privatbank AG

Key figures		2019	2020	2021e	2022e	2023e
Sales	EUR m	32	34	35	39	42
EBITDA	EUR m	-2	4	4	5	6
EBIT	EUR m	-6	1	2	2	3
EPS	EUR	-0.49	0.05	0.08	0.12	0.15
Sales growth	%	n.a.	6.3	4.7	10.0	9.0
EBITDA margin	%	-7.3	13.3	12.3	12.9	13.6
EBIT margin	%	-20.5	3.1	4.5	6.0	7.0
Net margin	%	-21.0	2.2	3.4	4.4	4.9
EV/Sales	ratio	0.26	1.05	1.74	1.54	1.35
EV/EBITDA	ratio	-3.5	7.9	14.1	11.9	9.9
EV/EBIT	ratio	-1.3	33.8	38.8	25.6	19.3
P/E	ratio	-10.3	98.8	60.3	42.7	35.0

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 6.8% (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 9.2% fading to a perpetual growth rate of 1.5% and a sustainable long-term EBIT margin of 12.5% our DCF model derives a fair value of EUR 6.00 per share. Hence, we upgrade our recommendation from Hold to Buy.

DCF Model for Intershop Communications AG

(EUR m)	2021e	2022e	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	TV
Sales	35.2	38.7	42.2	45.8	49.0	52.0	54.7	57.0	58.9	60.4	
growth yoy	4.7%	10.0%	9.0%	8.5%	7.0%	6.1%	5.2%	4.3%	3.4%	2.5%	
EBIT	1.6	2.3	3.0	4.1	4.7	5.3	5.9	6.4	7.0	7.5	
EBIT margin	4.5%	6.0%	7.0%	9.0%	9.5%	10.1%	10.7%	11.3%	11.9%	12.5%	
Taxes	-0.2	-0.5	-0.7	-1.2	-1.4	-1.6	-1.8	-1.9	-2.1	-2.3	
Tax rate	13%	20%	25%	30%	30%	30%	30%	30%	30%	30%	
Depreciation	2.8	2.7	2.8	2.8	2.9	3.3	3.7	3.9	4.1	4.2	
% of sales	7.8%	6.9%	6.6%	6.0%	5.8%	6.4%	6.7%	6.9%	6.9%	7.0%	
Capex	-2.8	-3.1	-3.0	-3.2	-3.4	-3.6	-3.8	-4.0	-4.1	-4.2	
% 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	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	
% of sales	0.1%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	
FCF	1.3	1.4	2.0	2.4	2.6	3.3	3.9	4.3	4.8	5.2	100.2
growth yoy	n.m.	6.3%	44.3%	19.4%	10.7%	26.1%	17.0%	12.7%	10.1%	8.7%	1.5%
PV FCF	1.3	1.3	1.7	1.9	2.0	2.3	2.6	2.7	2.8	2.8	54.7

Enterprise value	76	PV Forecast Period	21	Risk free rate	2.00%
- Net Debt / Net Cash	-9.3	PV Terminal Value	55	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 (€)	6.01			WACC	6.80%

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 %	38.7	10.0 %	42.2	9.0 %
Cost of sales	-20.6		-17.9		-18.8		-20.7		-22.5	
Gross profit	11.1		15.7		16.4		18.0		19.7	
Selling expenses	-8.8		-7.7		-7.9		-8.5		-9.0	
General administrative expenses	-3.4		-3.1		-3.3		-3.6		-3.9	
Research and development costs	-4.6		-3.8		-4.0		-4.4		-4.7	
Other operating income	0.3		0.5		0.8		1.3		1.6	
Other operating expenses	-1.1		-0.5		-0.5		-0.5		-0.6	
EBITDA	-2.3	n.a.	4.5	-292.3 %	4.3	-2.7 %	5.0	15.3 %	5.7	14.7 %
EBITDA margin (%)	-7.35		13.30		12.35		12.95		13.62	
EBIT	-6.5	n.a.	1.0	-116.1 %	1.6	51.7 %	2.3	46.7 %	3.0	27.2 %
EBIT margin (%)	-20.46		3.11		4.50		6.00		7.00	
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 %	1.4	52.3 %	2.1	53.8 %	2.7	29.9 %
Pretax margin (%)	-20.97		2.68		3.90		5.46		6.50	
Taxes	-0.1		-0.1		-0.2		-0.4		-0.7	
Tax rate (%)	-2.17		12.08		13.00		20.00		25.00	
Earnings after taxes	-6.8		0.8		1.2		1.7		2.1	
Group attributable income	-6.6	n.a.	0.7	-111.0 %	1.2	63.7 %	1.7	41.4 %	2.1	21.8 %
No. of shares (m)	13.4		14.2		14.2		14.2		14.2	
Earnings per share (EUR)	-0.49	n.a.	0.05	-110.4 %	0.08	63.7 %	0.12	41.4 %	0.15	21.8 %

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		13.0		14.9		17.4	
Accounts receivables	5.5		3.9		4.1		4.5		4.9	
Inventories	1.4		1.0		1.1		1.2		1.3	
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 %	18.2	9.9 %	20.5	13.1 %	23.5	14.6 %
Fixed assets	0.6		0.5		0.6		1.0		1.2	
Goodwill	4.5		5.9		5.9		5.9		5.9	
Other intangible assets	5.4		4.5		4.5		4.5		4.5	
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	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 %	13.3	3.2 %	13.5	1.2 %
Total assets	27.6	n.a.	29.4	6.3 %	31.1	5.8 %	33.8	9.0 %	37.0	9.3 %
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		1.0		2.7		4.7	
Accumulated other comprehensive	0.0		0.0		0.0		0.0		0.0	
Shareholder's equity	15.7	n.a.	16.5	5.1 %	17.7	7.2 %	19.4	9.5 %	21.5	10.6 %
Minorities	0.0		0.0		0.0		0.0		0.0	
Shareholder's equity incl. minorities	15.7	n.a.	16.5	5.1 %	17.7	7.2 %	19.4	9.5 %	21.5	10.6 %
Long-term liabilities										
Pension provisions	0.0		0.0		0.0		0.0		0.0	
Financial liabilities	0.3		0.8		0.8		0.8		0.8	
Tax liabilities	0.1		0.0		0.0		0.0		0.0	
Other liabilities	0.2		3.0		3.2		3.5		3.8	
Total long-term debt	0.5	n.a.	3.9	646.8 %	4.0	3.8 %	4.3	8.0 %	4.7	7.3 %
Short-term debt										
Other provisions	0.4		0.3		0.3		0.3		0.4	
Trade payables	1.7		1.5		1.6		1.7		1.9	
Financial debt	1.3		1.5		1.5		1.5		1.5	
Other liabilities	4.7		3.0		3.2		3.5		3.8	
Total short-term debt	8.1	n.a.	6.3	-22.4 %	6.5	3.6 %	7.0	7.7 %	7.5	7.1 %
Total equity & liabilities	27.6	n.a.	29.4	6.3 %	31.1	5.8 %	33.8	9.0 %	37.0	9.3 %

Source: Company data, Quirin Privatbank estimates

Financial key ratios

Key ratios	2019	2020	2021e	2022e	2023e
Per share data (EUR)					
EPS	-0.49	0.05	0.08	0.12	0.15
Book value per share	1.2	1.2	1.2	1.4	1.5
Free cash flow per share	-0.3	0.2	0.1	0.1	0.2
Dividend per share	0.00	0.00	0.00	0.00	0.00
Valuation ratios					
EV/Sales	0.26	1.05	1.74	1.54	1.35
EV/EBITDA	-3.5	7.9	14.1	11.9	9.9
EV/EBIT	-1.3	33.8	38.8	25.6	19.3
P/E	-10.3	98.8	60.3	42.7	35.0
P/B	4.3	4.4	4.1	3.7	3.4
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0
Growth					
Sales growth (%)	n.a.	6.3	4.7	10.0	9.0
EBITDA growth (%)	n.a.	-292.3	-2.7	15.3	14.7
EBIT growth (%)	n.a.	-116.1	51.7	46.7	27.2
EPS growth (%)	n.a.	-110.4	63.7	41.4	21.8
Profitability ratios					
EBITDA margin (%)	-7.3	13.3	12.3	12.9	13.6
EBIT margin (%)	-20.5	3.1	4.5	6.0	7.0
Net margin (%)	-21.0	2.2	3.4	4.4	4.9
ROCE (%)	-33.2	4.5	6.5	8.7	10.0
Financial ratios					
Total equity (EUR m)	15.7	16.5	17.7	19.4	21.5
Equity ratio (%)	56.9	56.3	57.1	57.4	58.1
Net financial debt (EUR m)	-6.2	-9.3	-10.7	-12.6	-15.1
Net debt/Equity	0.6	0.6	0.6	0.6	0.6
Interest cover	36.8	-7.3	-7.5	-11.0	-14.0
Net debt/EBITDA	2.7	-2.1	-2.5	-2.5	-2.6
Payout ratio (%)	0.0	0.0	0.0	0.0	0.0
Working Capital (EUR m)	1.9	0.8	0.8	0.9	1.0
Working capital/Sales	0.06	0.02	0.02	0.02	0.02

Source: Company data, Quirin Privatbank estimates

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

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Price and Rating History (last 12 months)

Date	Price target-EUR	Rating	Initiation
22.10.2021	6.01	Buy	
17.03.2021	4.57	Hold	
22.10.2020	3.35	Hold	11.12.2018

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