

17 February 2022

Intershop Communications AG

Rating Buy (Buy)
Share price (EUR) 4.16
Target price (EUR) 6.20 (6.01)

Bloomberg ISHA GR
Sector Retail

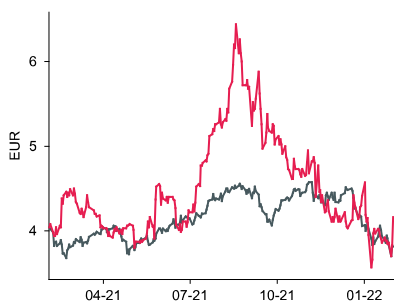
Share data

Shares out (m) 14.2
Daily volume shs (m) 0.0
Free float (%) 62.40
Market cap (EUR m) 59
EV (EUR m) 47
DPS (EUR) 0.00
Dividend yield (%) 0.0
Payout ratio (%) 0.0

Performance

ytd (%) 3.2
12 months (%) -1.4
12 months rel. (%) 5.1
Index TecDAX

Share price performance



— Intershop Communications AG
— Price rel. to TecDAX - Price Index

Source: Bloomberg

Next triggers

27.04.2022: Q1 figures

Analysts

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Above-market growth in cloud revenues

Yesterday, on February 16, Intershop published an encouraging set of preliminary 2021 results. Revenues were up 7.1% yoy and 2.3% better than we expected. Also encouraging is Intershop's EBIT of EUR 1.3m, only 0.3m below our estimate. However, our focus is on the strategically important cloud revenues, which were up by a strong 51% yoy – significantly outgrowing the market. 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 improved over the last year, also due to the higher share of recurring revenues and higher stability and predictability that comes with it. The strategy to significantly increase their footprint by extending their partner ecosystem seems also quite promising. We increase our target price from EUR 6.01 to EUR 6.20, based on our DCF model reiterate our Buy recommendation.

Guidance for 2022 rather cautious

For 2022, Intershop expects incoming cloud orders to rise by about 20% as well as a 10% increase in net new ARR. Revenues are expected to grow at 10% yoy and in line with what we estimated. EBIT should come in at least at EUR 1.0m, which seems a bit cautious and also due to higher spending on R&D as the company further increases its investments in its cloud platform.

Strong balance sheet & cash flow

Due to the positive result for the year, equity capital improved by 5% to EUR 17.4m. Cash and cash equivalents increased by 5% to EUR 12.2m (31 December 2020: EUR 11.6m. At EUR 4.6m, cash flow from operations remained clearly positive in 2021 (2020: EUR 4.7m).

Intershop Communications AG - FY 2021

EUR m	2021	2020	yoy	Quirin est.	delta
Revenues	36.0	33.6	7.1%	35.2	2.3%
EBIT	1.30	1.00	30.0%	1.60	-18.8%
EBIT margin	3.6%	3.0%	63 BP	4.5%	-93 BP

Source: Intershop Communications AG, Quirin Privatbank AG

Key figures		2019	2020	2021e	2022e	2023e
Sales	EUR m	32	34	36	40	43
EBITDA	EUR m	-2	4	4	5	5
EBIT	EUR m	-6	1	1	2	2
EPS	EUR	-0.49	0.05	0.06	0.08	0.11
Sales growth	%	n.a.	6.3	7.1	10.0	9.0
EBITDA margin	%	-7.3	13.3	12.2	11.4	12.3
EBIT margin	%	-20.5	3.1	3.6	4.2	5.5
Net margin	%	-21.0	2.2	2.2	2.7	3.7
EV/Sales	ratio	0.26	1.05	1.29	1.19	1.04
EV/EBITDA	ratio	-3.5	7.9	10.6	10.4	8.4
EV/EBIT	ratio	-1.3	33.8	35.9	28.2	18.9
P/E	ratio	-8.4	80.9	73.7	54.9	36.7

Source: Bloomberg, Company data, Quirin Privatbank estimates

Please see final page for important disclaimers and disclosures

DCF Valuation

We have derived our target price for Intershop from our DCF model. With a WACC of 6.83% (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 13% our DCF model derives a fair value of EUR 6.20 per share. Hence, we reiterate our Buy recommendation.

DCF Model for Intershop Communications AG

(EUR m)	2021e	2022e	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	TV
Sales	36.0	39.6	43.2	46.8	50.1	53.2	55.9	58.3	60.3	61.7	
growth yoy	7.1%	10.0%	9.0%	8.5%	7.0%	6.1%	5.2%	4.3%	3.4%	2.5%	
EBIT	1.3	1.7	2.4	3.0	3.9	4.7	5.5	6.4	7.2	8.0	
EBIT margin	3.6%	4.2%	5.5%	6.5%	7.8%	8.8%	9.9%	10.9%	12.0%	13.0%	
Taxes	-0.3	-0.4	-0.6	-0.9	-1.2	-1.4	-1.7	-1.9	-2.2	-2.4	
Tax rate	25%	25%	25%	30%	30%	30%	30%	30%	30%	30%	
Depreciation	3.1	2.9	2.9	2.9	3.0	3.4	3.8	4.0	4.2	4.3	
% of sales	8.6%	7.2%	6.8%	6.2%	6.0%	6.5%	6.7%	6.9%	6.9%	7.0%	
Capex	-2.9	-3.2	-3.0	-3.3	-3.5	-3.7	-3.9	-4.1	-4.2	-4.3	
% of sales	8.0%	8.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	
Δ NWC	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	
% of sales	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	
FCF	1.1	0.9	1.6	1.6	2.1	2.9	3.6	4.3	4.9	5.5	106.1
growth yoy	n.m.	n.m.	n.m.	2.1%	29.8%	37.1%	24.0%	18.0%	14.5%	12.4%	1.5%
PV FCF	1.1	0.8	1.4	1.4	1.7	2.1	2.5	2.7	2.9	3.1	59.1

Enterprise value	79	PV Forecast Period	20	Risk free rate	2.00%
- Net Debt / Net Cash	-9.3	PV Terminal Value	59	Cost of debt	3.00%
- Pension Provisions	0			Market Premium	5.00%
Equity value	88			Equity ratio	100%
Number of shares	14.2			Company beta	1.0
Value per share (€)	6.20			WACC	6.83%

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 %	36.0	7.1 %	39.6	10.0 %	43.2	9.0 %
Cost of sales	-20.6		-17.9		-19.2		-21.1		-23.0	
Gross profit	11.1		15.7		16.8		18.5		20.1	
Selling expenses	-8.8		-7.7		-8.1		-8.7		-9.3	
General administrative expenses	-3.4		-3.1		-3.3		-3.7		-4.0	
Research and development costs	-4.6		-3.8		-4.0		-4.5		-4.9	
Other operating income	0.3		0.5		0.5		0.6		1.0	
Other operating expenses	-1.1		-0.5		-0.5		-0.6		-0.6	
EBITDA	-2.3	n.a.	4.5	-292.3 %	4.4	-2.0 %	4.5	3.4 %	5.3	17.4 %
EBITDA margin (%)	-7.35		13.30		12.16		11.43		12.31	
EBIT	-6.5	n.a.	1.0	-116.1 %	1.3	24.1 %	1.7	28.3 %	2.4	42.7 %
EBIT margin (%)	-20.46		3.11		3.60		4.20		5.50	
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 %	1.1	18.4 %	1.4	34.4 %	2.1	49.5 %
Pretax margin (%)	-20.97		2.68		2.97		3.62		4.97	
Taxes	-0.1		-0.1		-0.3		-0.4		-0.5	
Tax rate (%)	-2.17		12.08		25.00		25.00		25.00	
Earnings after taxes	-6.8		0.8		0.8		1.1		1.6	
Group attributable income	-6.6	n.a.	0.7	-111.0 %	0.8	9.7 %	1.1	34.4 %	1.6	49.5 %
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 %	0.06	9.7 %	0.08	34.4 %	0.11	49.5 %

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		14.4		16.5	
Accounts receivables	5.5		3.9		4.2		4.6		5.1	
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 %	18.3	10.6 %	20.2	10.4 %	22.8	13.1 %
Fixed assets	0.6		0.5		0.3		0.6		0.7	
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 %	12.6	-1.6 %	12.9	2.4 %	13.0	0.6 %
Total assets	27.6	n.a.	29.4	6.3 %	30.9	5.3 %	33.1	7.1 %	35.8	8.2 %
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		0.6		1.6		3.3	
Accumulated other comprehensive	0.0		0.0		0.0		0.0		0.0	
Shareholder's equity	15.7	n.a.	16.5	5.1 %	17.3	4.8 %	18.4	6.2 %	20.0	8.7 %
Minorities	0.0		0.0		0.0		0.0		0.0	
Shareholder's equity incl. minorities	15.7	n.a.	16.5	5.1 %	17.3	4.8 %	18.4	6.2 %	20.0	8.7 %
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		3.3		3.6		3.9	
Total long-term debt	0.5	n.a.	3.9	646.8 %	4.1	5.6 %	4.4	8.0 %	4.7	7.4 %
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		3.3		3.6		3.9	
Total short-term debt	8.1	n.a.	6.3	-22.4 %	6.6	5.4 %	7.2	7.8 %	7.7	7.1 %
Total equity & liabilities	27.6	n.a.	29.4	6.3 %	30.9	5.3 %	33.1	7.1 %	35.8	8.2 %

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	0.06	0.08	0.11
Book value per share	1.2	1.2	1.2	1.3	1.4
Free cash flow per share	-0.3	0.2	0.1	0.1	0.1
Dividend per share	0.00	0.00	0.00	0.00	0.00
Valuation ratios					
EV/Sales	0.26	1.05	1.29	1.19	1.04
EV/EBITDA	-3.5	7.9	10.6	10.4	8.4
EV/EBIT	-1.3	33.8	35.9	28.2	18.9
P/E	-8.4	80.9	73.7	54.9	36.7
P/B	3.6	3.6	3.4	3.2	2.9
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0
Growth					
Sales growth (%)	n.a.	6.3	7.1	10.0	9.0
EBITDA growth (%)	n.a.	-292.3	-2.0	3.4	17.4
EBIT growth (%)	n.a.	-116.1	24.1	28.3	42.7
EPS growth (%)	n.a.	-110.4	9.7	34.4	49.5
Profitability ratios					
EBITDA margin (%)	-7.3	13.3	12.2	11.4	12.3
EBIT margin (%)	-20.5	3.1	3.6	4.2	5.5
Net margin (%)	-21.0	2.2	2.2	2.7	3.7
ROCE (%)	-33.2	4.5	5.3	6.4	8.4
Financial ratios					
Total equity (EUR m)	15.7	16.5	17.3	18.4	20.0
Equity ratio (%)	56.9	56.3	56.1	55.6	55.9
Net financial debt (EUR m)	-6.2	-9.3	-10.7	-12.1	-14.2
Net debt/Equity	0.6	0.6	0.6	0.6	0.6
Interest cover	36.8	-7.3	-5.6	-7.2	-10.3
Net debt/EBITDA	2.7	-2.1	-2.4	-2.7	-2.7
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
17.02.2022	6.20	Buy	
22.10.2021	6.01	Buy	
17.03.2021	4.57	Hold	11.12.2018

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