

28 April 2022

Intershop Communications AG

Rating Buy
Share price (EUR) 4.51
Target price (EUR) 6.20

Bloomberg ISHA GR
Sector Software

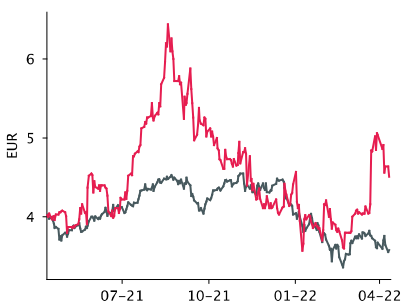
Share data

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

Performance

ytd (%) 11.9
12 months (%) 13.3
12 months rel. (%) 24.6
Index TecDAX

Share price performance



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

Source: Bloomberg

Next triggers

27.06.2022: Q2 results

Analysts

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Cloud business strongly expanding

Yesterday, on April 27, Intershop published encouraging Q1 2022 results. Revenues were up 4% yoy and 2.2% better than we expected. Intershop's EBIT came in at EUR 0.03m and remained positive for the ninth consecutive quarter. However, our focus is on the strategically important cloud revenues, which were up by a strong 27% yoy – significantly outgrowing the market and now accounting for 33.7% of total sales. 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 confirm our target price of EUR 6.20, based on our DCF model reiterate our Buy recommendation.

Service revenues shifted into coming quarters

The Service segment put a damper on the revenue trend, as sales dropped by -17% yoy to EUR 3.2m. This is owed to project postponements; hence, service revenues are expected to pick up again during the year.

Margins should improve again

Intershop's gross margin even improved 300 basis points yoy to 49% in Q1 2022. However, the EBIT margin came down to 0.3% from 4% yoy. This was mainly due to higher personnel costs, acquisition-related one-time expenses and an increase in R&D expenses, which rose by 58.3% yoy to EUR 1.9m (previous year: EUR 1.2m). In our view, those R&D investment are important to increase the company's competitiveness and future sales.

Cloud business expanding

Incoming cloud orders showed a particularly strong performance, growing by 91% yoy to EUR 8.7m (previous year: EUR 4.6m). Cloud revenues increased by 27% yoy to EUR 3.1m and account for 33.7% of total sales now.

Guidance for 2022 confirmed

For 2022, Intershop expects incoming cloud orders to rise by about 20%. Revenues are expected to grow at 10% yoy, in line with our estimate. EBIT should come in at least at EUR 1.0m. We are expecting even an EBIT about EUR 1.4m.

Intershop Communications AG - Q1 2022

EUR m	Q1 2022	Q1 2021	yoy	Quirin est.	delta
Revenues	9.2	8.8	4.5%	9.0	2.2%
EBIT	0.03	0.35	-91.2%	0.27	-88.5%
EBIT margin	0.3%	4.0%	-367 BP	3.0%	-266 BP

Source: Intershop Communications AG, Quirin Privatbank AG

Key figures		2020	2021	2022e	2023e	2024e
Sales	EUR m	34	36	40	43	47
EBITDA	EUR m	4	4	4	5	6
EBIT	EUR m	1	1	1	2	3
Sales growth	%	6.3	7.1	10.0	9.0	8.5
EBITDA margin	%	13.3	12.3	11.1	12.4	12.6
EV/Sales	ratio	1.05	1.58	1.63	1.48	1.34
EV/EBITDA	ratio	7.9	12.9	14.6	12.0	10.7

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 6.83% (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 14% 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)	2022e	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	TV
Sales	39.6	43.2	46.8	50.1	53.6	56.9	59.8	62.4	64.5	66.1	
growth yoy	10.0%	9.0%	8.5%	7.0%	7.0%	6.1%	5.2%	4.3%	3.4%	2.5%	
EBIT	1.4	2.4	3.0	3.9	4.2	5.1	6.1	7.2	8.2	9.2	
EBIT margin	3.5%	5.5%	6.5%	7.8%	7.8%	9.0%	10.3%	11.5%	12.8%	14.0%	
Taxes	-0.3	-0.6	-0.9	-1.2	-1.3	-1.5	-1.8	-2.2	-2.5	-2.8	
Tax rate	25%	25%	30%	30%	30%	30%	30%	30%	30%	30%	
Depreciation	3.0	3.0	2.9	2.9	3.0	3.6	4.0	4.3	4.5	4.6	
% of sales	7.6%	6.9%	6.1%	5.8%	5.6%	6.3%	6.6%	6.8%	6.9%	7.0%	
Capex	-3.2	-3.0	-3.3	-3.5	-3.8	-4.0	-4.2	-4.4	-4.5	-4.6	
% of sales	8.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	
Δ NWC	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
% of sales	-0.1%	-0.1%	-0.1%	-0.1%	-0.1%	-0.1%	-0.1%	-0.1%	-0.1%	-0.1%	
FCF	0.9	1.7	1.7	2.1	2.2	3.2	4.1	5.0	5.7	6.5	125.2
growth yoy	n.m.	n.m.	-0.7%	23.7%	2.0%	47.4%	28.0%	20.1%	15.8%	13.5%	1.5%
PV FCF	0.9	1.6	1.5	1.7	1.6	2.2	2.7	3.0	3.2	3.4	66.1

Enterprise value	88	PV Forecast Period	22	Risk free rate	2.00%
- Net Debt / Net Cash	-0.2	PV Terminal Value	66	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	6.82%

Source: Quirin Privatbank

Profit & loss statement

Profit & loss statement (EUR m)	2020	YOY	2021	YOY	2022e	YOY	2023e	YOY	2024e	YOY
Sales	33.6	6.3 %	36.0	7.1 %	39.6	10.0 %	43.2	9.0 %	46.8	8.5 %
Cost of sales	-17.9		-18.6		-20.5		-22.3		-24.2	
Gross profit	15.7		17.4		19.1		20.9		22.6	
Selling expenses	-7.7		-7.7		-8.3		-8.8		-9.3	
General administrative expenses	-3.1		-3.3		-3.6		-3.9		-4.3	
Research and development costs	-3.8		-5.7		-6.2		-6.8		-7.4	
Other operating income	0.5		0.9		0.8		1.5		1.8	
Other operating expenses	-0.5		-0.4		-0.4		-0.5		-0.5	
EBITDA	4.5	-292.3 %	4.4	-1.0 %	4.4	-0.3 %	5.3	20.9 %	5.9	10.6 %
EBITDA margin (%)	13.30		12.29		11.14		12.35		12.59	
EBIT	1.0	-116.1 %	1.3	25.5 %	1.4	5.8 %	2.4	71.3 %	3.0	28.2 %
EBIT margin (%)	3.11		3.64		3.50		5.50		6.50	
Net interest	-0.1		-0.4		-2.0		-2.0		-2.0	
Net financial result	-0.1		-0.4		-2.0		-2.0		-2.0	
Exceptional items	0.0		0.0		0.0		0.0		1.0	
Pretax profit	0.9	-113.6 %	0.9	2.9 %	-0.6	-165.7 %	0.4	-162.0 %	1.0	177.3 %
Pretax margin (%)	2.68		2.58		-1.54		0.88		2.24	
Taxes	-0.1		-0.1		0.2		-0.1		-0.3	
Tax rate (%)	12.08		12.72		25.00		25.00		30.00	
Earnings after taxes	0.8		0.8		-0.5		0.3		0.7	
Group attributable income	0.7	-111.0 %	0.9	19.6 %	-0.5	-152.4 %	0.3	-162.0 %	0.7	158.8 %
No. of shares (m)	14.2		14.2		14.2		14.2		0.0	
Earnings per share (EUR)	0.05	-110.4 %	0.06	19.6 %	-0.03	-152.4 %	0.02	-162.0 %	0.05	158.8 %

Source: Company data, Quirin Privatbank estimates

Balance sheet

Balance sheet (EUR m)	2020	YOY	2021	YOY	2022e	YOY	2023e	YOY	2024e	YOY
Assets										
Cash and cash equivalents	11.6		12.2		12.1		12.9		13.7	
Accounts receivables	3.9		5.0		5.5		6.0		6.5	
Inventories	1.0		0.0		0.0		0.0		0.0	
Other current assets	0.0		0.9		0.9		0.9		0.9	
Tax claims	0.1		0.1		0.1		0.1		0.1	
Total current assets	16.5	13.0 %	18.1	9.5 %	18.5	2.3 %	19.7	6.6 %	21.1	6.8 %
Fixed assets	0.5		0.6		0.8		0.8		1.3	
Goodwill	4.5		4.5		4.5		4.5		4.5	
Other intangible assets	5.9		5.9		5.9		5.9		5.9	
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	1.8		10.4		10.4		10.4		10.4	
Total fixed assets	12.8	-1.3 %	21.5	67.2 %	21.6	0.7 %	21.7	0.3 %	22.1	2.0 %
Total assets	29.4	6.3 %	39.6	34.7 %	40.1	1.4 %	41.4	3.2 %	43.2	4.3 %
Equity & Liabilities										
Subscribed capital	14.2		14.2		14.2		14.2		14.2	
Reserves & other	2.6		2.6		2.6		2.6		2.6	
Revenue reserves	-0.2		0.6		0.2		0.5		1.2	
Accumulated other comprehensive	0.0		0.0		0.0		0.0		0.0	
Shareholder's equity	16.5	5.1 %	17.4	5.3 %	17.0	-2.6 %	17.2	1.7 %	18.0	4.3 %
Minorities	0.0		0.0		0.0		0.0		0.0	
Shareholder's equity incl. minorities	16.5	5.1 %	17.4	5.3 %	17.0	-2.6 %	17.2	1.7 %	18.0	4.3 %
Long-term liabilities										
Pension provisions	0.0		0.0		0.0		0.0		0.0	
Financial liabilities	0.8		12.0		12.0		12.0		12.0	
Tax liabilities	0.0		0.0		0.0		0.0		0.0	
Other liabilities	3.0		0.0		0.0		0.0		0.0	
Total long-term debt	3.9	646.8 %	12.0	210.2 %	12.0	0.0 %	12.0	0.0 %	12.0	0.0 %
Short-term debt										
Other provisions	0.3		0.3		0.3		0.3		0.4	
Trade payables	1.5		1.6		1.8		2.0		2.1	
Financial debt	1.5		0.0		0.0		0.0		0.0	
Other liabilities	3.0		4.6		5.0		5.5		5.9	
Total short-term debt	6.3	-22.4 %	6.5	2.7 %	7.1	10.0 %	7.8	9.0 %	8.4	8.5 %
Total equity & liabilities	29.4	6.3 %	39.6	34.7 %	40.1	1.4 %	41.4	3.2 %	43.2	4.3 %

Source: Company data, Quirin Privatbank estimates

Financial key ratios

Key ratios	2020	2021	2022e	2023e	2024e
Per share data (EUR)					
EPS	0.05	0.06	-0.03	0.02	0.05
Book value per share	1.2	1.2	1.2	1.2	1.3
Free cash flow per share	0.2	0.2	0.0	0.1	0.1
Dividend per share	0.00	0.00	0.00	0.00	0.00
Valuation ratios					
EV/Sales	1.05	1.58	1.63	1.48	1.34
EV/EBITDA	7.9	12.9	14.6	12.0	10.7
EV/EBIT	33.8	43.5	46.5	26.8	20.7
P/E	88.5	74.0	-141.2	227.8	88.0
P/B	3.9	3.7	3.8	3.7	3.6
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0
Growth					
Sales growth (%)	6.3	7.1	10.0	9.0	8.5
Profitability ratios					
EBITDA margin (%)	13.3	12.3	11.1	12.4	12.6
EBIT margin (%)	3.1	3.6	3.5	5.5	6.5
Net margin (%)	2.2	2.4	-1.2	0.7	1.6
ROCE (%)	4.5	4.0	4.2	7.1	8.8
Financial ratios					
Total equity (EUR m)	16.5	17.4	17.0	17.2	18.0
Equity ratio (%)	56.3	44.0	42.3	41.6	41.6
Net financial debt (EUR m)	-9.3	-0.2	-0.1	-0.9	-1.7
Net debt/Equity	0.6	0.4	0.4	0.4	0.4
Interest cover	-7.3	-3.4	-0.7	-1.2	-1.5
Net debt/EBITDA	-2.1	0.0	0.0	-0.2	-0.3
Payout ratio (%)	0.0	0.0	0.0	0.0	0.0
Working Capital (EUR m)	0.8	-0.3	-0.3	-0.3	-0.4
Working capital/Sales	0.02	-0.01	-0.01	-0.01	-0.01

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
22.02.2022	6.20	Buy	
22.10.2021	6.01	Buy	
29.04.2021	4.57	Hold	11.12.2018

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