

26 October 2023

Intershop Communications AG

Rating Buy (Buy)
Share price (EUR) 1.48
Target price (EUR) 2.60 (6.00)

Bloomberg ISHA GR
Sector IT

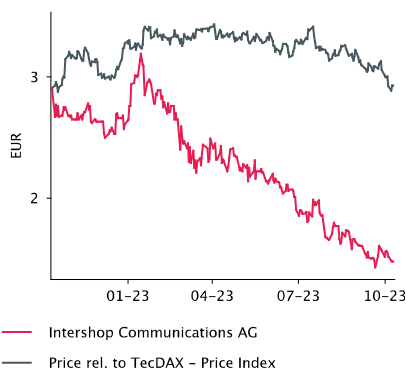
Share data

Shares out (m) 14.2
Market cap (EUR m) 21
EV (EUR m) 27
DPS (EUR) 0.00
Dividend yield (%) 0.0
Payout ratio (%) 0.0

Performance

ytd (%) -42.8
12 months (%) -49.1
12 months rel. (%) -49.1
Index TecDAX

Share price performance



Source: Bloomberg

Next triggers

tba

Analysts

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Confirmation of guidance

Yesterday, on October 25, Intershop reported nine months 2023 results. Total revenues were up 4% yoy to EUR 28.6m and sales in cloud business was up even 14% yoy, which now account for 41% of total revenues – up from previous year's 38%. Very favorable is that the service business showed a positive trend and rose revenues by 9% yoy as this segment was struggling. Cloud annual recurring revenue were up 11% yoy and net new annual recurring revenue declined by 55%. EBIT came in at EUR -1.49m, down from EUR 1.09 last year. Management confirmed its already lowered guidance and seemed optimistic for the fourth quarter as they are in advanced negotiations with several potential new customers. In our view, the "Value Creation Program" seems promising. Key measures include the restructuring of the U.S. sales organization, a general hiring freeze apart from replacements, the expansion of its cloud solutions to include an entry-level option with a reduced scope of services, and efficiency-enhancing measures to reduce infrastructure costs and further optimize processes in the service business. Also, management wants leverage cost advantages in Bulgaria. This location is intended to grow at the expense of other sites. We lower our target price to EUR 2.60, based on our DCF model and mainly due to a higher risk-free rate and reiterate our Buy recommendation.

Guidance confirmed

Management continues to expect for 2023 slight revenue growth, negative but improved EBIT, incoming cloud orders of between EUR 24m and EUR 26m (previous year: EUR 25.9m), and net new ARR of between EUR 1.5m and EUR 2.5m (previous year: EUR 3.2m).

Intershop Communications AG - 9m 2023

EUR m	9m 2023	9m 2022	yoy	Quirin est.	delta
Revenues	28.6	27.6	3.6%	27.4	4.4%
EBIT	-1.49	-1.09	n.m.	-1.38	n.m.
EBIT margin	-5.2%	-3.9%	n.m.	-5.0%	-18 BP

Source: Intershop Communications AG, Quirin Privatbank AG

Key figures		2021	2022	2023e	2024e	2025e
Sales	EUR m	36	37	38	39	41
EBITDA	EUR m	4	0	1	3	4
EBIT	EUR m	1	-3	-2	0	1
EPS	EUR	0.06	-0.25	-0.14	-0.05	0.02
Sales growth	%	7.1	2.2	2.0	4.0	6.0
EBITDA margin	%	12.3	1.1	3.8	6.8	9.5
EBIT margin	%	3.6	-7.8	-5.5	-1.0	2.5
Net margin	%	2.4	-9.7	-5.4	-1.9	0.6
EV/Sales	ratio	1.58	1.12	0.71	0.70	0.65
EV/EBITDA	ratio	12.9	98.0	18.7	10.2	6.9
EV/EBIT	ratio	43.5	-14.3	-13.0	-69.9	26.1
P/E	ratio	24.0	-5.9	-10.3	-28.7	77.9
P/BV	ratio	1.2	1.5	1.8	1.9	1.8
Dividend yield	%	0.0	0.0	0.0	0.0	0.0

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 8.87% (resulting from a risk-free rate of 3.50%, market premium of 5% and a beta of 1.1), a mid-term revenue CAGR 2023-2026 of 5.7% fading to a perpetual growth rate of 1.5% and a sustainable long-term EBIT margin of 12% our DCF model derives a fair value of EUR 2.60 per share. Hence, we reiterate our Buy recommendation.

DCF Model for Intershop Communications AG

(EUR m)	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	TV
Sales	37.5	39.0	41.4	44.3	46.9	49.4	51.6	53.6	55.2	56.5	
growth yoy	2.0%	4.0%	6.0%	7.0%	6.0%	5.3%	4.5%	3.8%	3.0%	2.3%	
EBIT	-2.1	-0.4	1.0	1.8	3.1	3.8	4.5	5.3	6.0	6.8	
EBIT margin	-5.5%	-10%	2.5%	4.0%	6.5%	7.6%	8.7%	9.8%	10.9%	12.0%	
Taxes	0.5	0.1	-0.3	-0.5	-0.9	-1.1	-1.3	-1.6	-1.8	-2.0	
Tax rate	25%	30%	30%	30%	30%	30%	30%	30%	30%	30%	
Depreciation	3.5	3.1	2.9	2.8	2.9	3.5	3.9	4.2	4.4	4.5	
% of sales	9.3%	7.8%	7.0%	6.4%	6.1%	7.1%	7.5%	7.8%	7.9%	8.0%	
Capex	-3.0	-3.1	-3.3	-3.5	-3.8	-4.0	-4.1	-4.3	-4.4	-4.5	
% of sales	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	
Δ NWC	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.2	
% of sales	-0.1%	-0.2%	-0.3%	-0.3%	-0.3%	-0.3%	-0.3%	-0.3%	-0.3%	-0.3%	
FCF	-1.0	-0.3	0.4	0.7	1.4	2.3	3.0	3.7	4.3	4.9	67.8
growth yoy	n.m.	n.m.	n.m.	n.m.	n.m.	67.2%	32.5%	21.5%	16.3%	14.0%	1.5%
PV FCF	-1.0	-0.2	0.3	0.5	1.0	1.5	1.8	2.0	2.1	2.2	31.1

Enterprise value	41	PV Forecast Period	10	Risk free rate	3.50%
- Net Debt / Net Cash	4.5	PV Terminal Value	31	Cost of debt	4.50%
- Pension Provisions	0			Market Premium	5.00%
Equity value	37			Equity ratio	100%
Number of shares	14.2			Company beta	1.1
Value per share (€)	2.60			WACC	8.87%

Source: Quirin Privatbank

Profit & loss statement

Profit & loss statement (EUR m)	2021	YOY	2022	YOY	2023e	YOY	2024e	YOY	2025e	YOY
Sales	36.0	7.1 %	36.8	2.2 %	37.5	2.0 %	39.0	4.0 %	41.4	6.0 %
Cost of sales	-18.6		-21.1		-21.5		-22.4		-23.7	
Gross profit	17.4		15.7		16.0		16.7		17.7	
Selling expenses	-7.7		-8.1		-8.1		-8.2		-8.5	
General administrative expenses	-3.3		-3.3		-3.4		-3.5		-3.8	
Research and development costs	-5.7		-6.9		-7.0		-7.3		-7.7	
Other operating income	0.9		0.6		1.3		2.9		4.3	
Other operating expenses	-0.4		-0.9		-0.9		-0.9		-1.0	
EBITDA	4.4	-1.0 %	0.4	-90.5 %	1.4	242.4 %	2.7	85.9 %	3.9	46.7 %
EBITDA margin (%)	12.29		1.14		3.82		6.83		9.45	
EBIT	1.3	25.5 %	-2.9	-319.0 %	-2.1	-28.0 %	-0.4	-81.1 %	1.0	-365.0 %
EBIT margin (%)	3.64		-7.80		-5.50		-1.00		2.50	
Net interest	-0.4		-0.5		-0.7		-0.7		-0.7	
Net financial result	-0.4		-0.5		-0.7		-0.7		-0.7	
Exceptional items	0.0		0.0		0.0		1.0		1.0	
Pretax profit	0.9	2.9 %	-3.4	-465.3 %	-2.7	-19.9 %	-1.0	-61.7 %	0.4	-136.9 %
Pretax margin (%)	2.58		-9.21		-7.23		-2.67		0.93	
Taxes	-0.1		-0.2		0.7		0.3		-0.1	
Tax rate (%)	12.72		-4.93		25.00		30.00		30.00	
Earnings after taxes	0.8		-3.6		-2.0		-0.7		0.3	
Group attributable income	0.9	19.6 %	-3.6	-507.1 %	-2.0	-42.7 %	-0.7	-64.2 %	0.3	-136.9 %
No. of shares (m)	14.2		14.2		14.2		14.2		14.2	
Earnings per share (EUR)	0.06	19.6 %	-0.25	-507.1 %	-0.14	-42.7 %	-0.05	-64.2 %	0.02	-136.9 %

Source: Company data, Quirin Privatbank estimates

Balance sheet

Balance sheet (EUR m)	2021	YOY	2022	YOY	2023e	YOY	2024e	YOY	2025e	YOY
Assets										
Cash and cash equivalents	12.2		10.5		9.1		8.6		8.9	
Accounts receivables	5.0		4.9		5.0		5.2		5.5	
Other current assets	0.9		0.9		0.9		0.9		0.9	
Tax claims	0.1		0.1		0.1		0.1		0.1	
Total current assets	18.1	9.5 %	16.3	-9.9 %	15.0	-7.9 %	14.7	-1.9 %	15.3	4.3 %
Fixed assets	0.6		0.5		0.0		0.1		0.5	
Goodwill	4.5		7.5		7.5		7.5		7.5	
Other intangible assets	5.9		6.9		6.9		6.9		6.9	
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	10.4		9.9		9.9		9.9		9.9	
Total fixed assets	21.5	67.2 %	25.0	16.3 %	24.5	-2.0 %	24.5	0.3 %	25.0	1.8 %
Total assets	39.6	34.7 %	41.3	4.3 %	39.5	-4.3 %	39.2	-0.6 %	40.3	2.7 %
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	0.6		-2.9		-5.0		-5.7		-5.4	
Accumulated other comprehensive	0.0		0.0		0.0		0.0		0.0	
Shareholder's equity	17.4	5.3 %	13.9	-20.4 %	11.8	-14.7 %	11.1	-6.2 %	11.4	2.4 %
Minorities	0.0		0.0		0.0		0.0		0.0	
Shareholder's equity incl. minorities	17.4	5.3 %	13.9	-20.4 %	11.8	-14.7 %	11.1	-6.2 %	11.4	2.4 %
Long-term liabilities										
Pension provisions	0.0		0.0		0.0		0.0		0.0	
Financial liabilities	12.0		14.9		14.9		14.9		14.9	
Tax liabilities	0.0		0.0		0.0		0.0		0.0	
Other liabilities	0.0		0.0		0.0		0.0		0.0	
Total long-term debt	12.0	210.2 %	15.0	24.4 %	15.0	0.0 %	15.0	0.0 %	15.0	0.0 %
Short-term debt										
Other provisions	0.3		0.4		0.4		0.4		0.4	
Trade payables	1.6		1.7		1.7		1.8		1.9	
Financial debt	0.0		0.0		0.0		0.0		0.0	
Other liabilities	4.6		5.5		5.6		5.8		6.1	
Total short-term debt	6.5	2.7 %	7.5	15.8 %	7.6	2.0 %	8.0	4.0 %	8.4	6.0 %
Total equity & liabilities	39.6	34.7 %	41.3	4.3 %	39.5	-4.3 %	39.2	-0.6 %	40.3	2.7 %

Source: Company data, Quirin Privatbank estimates

Financial key ratios

Key ratios	2021	2022	2023e	2024e	2025e
Per share data (EUR)					
EPS	0.06	-0.25	-0.14	-0.05	0.02
Book value per share	1.2	1.0	0.8	0.8	0.8
Free cash flow per share	0.2	-0.2	-0.1	0.0	0.0
Dividend per share	0.00	0.00	0.00	0.00	0.00
Valuation ratios					
EV/Sales	1.58	1.12	0.71	0.70	0.65
EV/EBITDA	12.9	98.0	18.7	10.2	6.9
EV/EBIT	43.5	-14.3	-13.0	-69.9	26.1
P/E	24.0	-5.9	-10.3	-28.7	77.9
P/B	1.2	1.5	1.8	1.9	1.8
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0
Growth					
Sales growth (%)	7.1	2.2	2.0	4.0	6.0
Profitability ratios					
EBITDA margin (%)	12.3	1.1	3.8	6.8	9.5
EBIT margin (%)	3.6	-7.8	-5.5	-1.0	2.5
Net margin (%)	2.4	-9.7	-5.4	-1.9	0.6
ROCE (%)	4.0	-8.5	-6.5	-1.2	3.2
Financial ratios					
Total equity (EUR m)	17.4	13.9	11.8	11.1	11.4
Equity ratio (%)	44.0	33.6	29.9	28.3	28.2
Net financial debt (EUR m)	-0.2	4.5	5.9	6.3	6.0
Net debt/Equity	0.4	0.3	0.3	0.3	0.3
Interest cover	-3.4	5.5	3.2	0.6	-1.6
Net debt/EBITDA	0.0	10.6	4.1	2.4	1.5
Payout ratio (%)	0.0	0.0	0.0	0.0	0.0
Working Capital (EUR m)	-0.3	-1.7	-1.8	-1.9	-2.0
Working capital/Sales	-0.01	-0.05	-0.05	-0.05	-0.05

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
26.10.2023	2.60	Buy	
17.02.2023	6.00	Buy	
26.10.2022	6.00	Buy	11.12.2018

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