

16 February 2024

Intershop Communications AG

Rating Buy
Share price (EUR) 1.73
Target price (EUR) 2.60

Bloomberg ISHA GR
Sector Retail

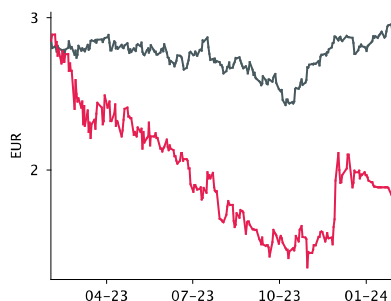
Share data

Shares out (m) 14.2
Free float (%) 48.00
Market cap (EUR m) 24
EV (EUR m) 32
DPS (EUR) 0.00
Dividend yield (%) 0.0
Payout ratio (%) 0.0

Performance

ytd (%) -17.9
12 months (%) -39.7
12 months rel. (%) -42.6
Index TecDAX

Share price performance



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

Source: Bloomberg

Next triggers

24.04.2024: Q1 results

Analysts

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Promising EBIT guidance

On February 14, Intershop published preliminary full year 2023 results. Total revenues were up 3.3% yoy to EUR 38m and 1.3% exceeding our estimate. Also quite positive, cash flow from operations improved by 155% to EUR 3m, compared to EUR 1.2m the year before. EBIT came in at EUR -2.5m, improving from EUR -2.9 last year. The main reason for the negative EBIT is a reluctance of potential customers to invest in view of the macroeconomic uncertainties. This is also why incoming cloud orders fell by -24% yoy to EUR 19.7. The management will increasingly focus on sales to stimulate growth. Also, the margin is intended to be improved by reducing personnel costs through a halt in new hires. This is aimed at adjusting the cost base. Very promising is that management projects a moderate increase in revenues and a break-even EBIT for 2024. During the conference call, the management stated that a profitable EBIT is expected from the second half of the year. We keep our target price unchanged at EUR 2.60 and reiterate our Buy recommendation.

Cloud transformation and service business

Sales in cloud business was up even 14% yoy to EUR 16.2m and now accounts for 42.6% of total revenues – management is driving forward the cloud transformation. Also quite favorable is that the service business showed a positive trend and rose revenues by 4% yoy as this segment was struggling. The measures introduced to ensure more efficient project completion and new major projects led to a more stable utilization of the service team.

Intershop Communications AG - FY 2023

EUR m	2023	2022	yoy	Quirin est.	delta
Revenues	38.0	36.8	3.3%	37.5	1.3%
EBIT	-2.50	-2.90	13.8%	-2.10	-19.0%
EBIT margin	-6.6%	-7.9%	130 BP	-5.6%	-98 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	3
EBIT	EUR m	1	-3	-3	0	1
EPS	EUR	0.06	-0.25	-0.22	-0.03	0.00
Sales growth	%	7.1	2.2	3.3	3.0	4.5
EBITDA margin	%	12.3	1.1	2.4	8.1	8.5
EBIT margin	%	3.6	-7.8	-6.6	0.3	1.5
Net margin	%	2.4	-9.7	-8.1	-1.0	-0.1
EV/Sales	ratio	1.58	1.12	0.97	0.81	0.78
EV/EBITDA	ratio	12.9	98.0	39.7	10.0	9.1
P/BV	ratio	3.3	2.6	2.8	2.4	2.4
Dividend yield	%	0.0	0.0	0.0	0.0	0.0

Source: Bloomberg, Company data, Quirin Privatbank estimates

We have derived our target price for Intershop from our DCF model. With a WACC of 8.34% (resulting from a risk-free rate of 3.5%, market premium of 4.5% and a beta of 1.1), a mid-term revenue CAGR 2023-2026 of 4.5% fading to a perpetual growth rate of 1.5% and a sustainable long-term EBIT margin of 11.5% our DCF model derives a fair value of EUR 2.60 per share. Hence, we reiterate our Buy recommendation.

(EUR m)	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	TV
Sales	38.0	39.1	40.9	43.4	46.2	48.8	51.1	53.2	54.9	56.2	
growth yoy	3.3%	3.0%	4.5%	6.0%	6.5%	5.7%	4.8%	4.0%	3.2%	2.3%	
EBIT	-2.5	0.1	0.6	1.2	1.6	2.4	3.4	4.4	5.4	6.5	
EBIT margin	-6.6%	0.3%	15%	2.8%	3.4%	5.0%	6.6%	8.3%	9.9%	115%	
Taxes	0.1	0.0	-0.2	-0.4	-0.5	-0.7	-1.0	-1.3	-1.6	-1.9	
Tax rate	2%	30%	30%	30%	30%	30%	30%	30%	30%	30%	
Depreciation	3.4	3.0	2.9	2.8	2.8	3.4	3.8	4.1	4.3	4.5	
% of sales	9.0%	7.8%	7.0%	6.5%	6.1%	7.0%	7.5%	7.8%	7.9%	8.0%	
Capex	-3.0	-3.1	-3.3	-3.5	-3.7	-3.9	-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	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.2	0.2	0.2	
% of sales	-0.1%	-0.1%	-0.2%	-0.3%	-0.3%	-0.3%	-0.3%	-0.3%	-0.3%	-0.3%	
FCF	-2.0	0.0	0.1	0.3	0.3	1.4	2.3	3.1	3.9	4.7	69.5
growth yoy	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	64.3%	36.1%	25.3%	20.4%	1.5%
PV FCF	-2.0	0.0	0.1	0.2	0.3	0.9	1.4	1.8	2.1	2.3	34.1

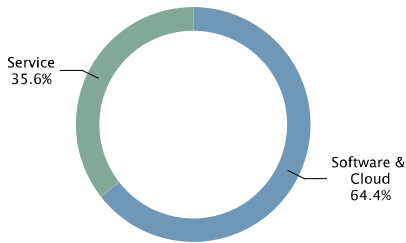
Enterprise value	41	PV Forecast Period	7	Risk free rate	3.50%
- Net Debt / Net Cash	4.5	PV Terminal Value	34	Cost of debt	4.50%
- Pension Provisions	0			Market Premium	4.50%
Equity value	37			Equity ratio	100%
Number of shares	14.2			Company beta	1.1
Value per share (€)	2.60			WACC	8.34%

Promising EBIT guidance

Company description

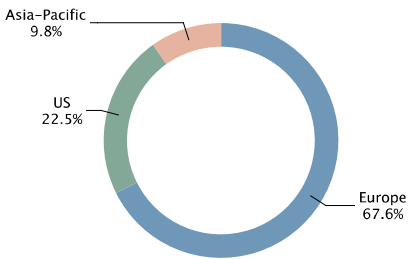
Intershop Communications AG is a provider of integrated enterprise solutions for omni-channel commerce. The Company operates in two business segments: Products and Service. The Products business segment comprises licensing revenues and maintenance revenues. The Service business segment includes revenues from consulting services and training, and full services revenue.

Revenues by segment 2022



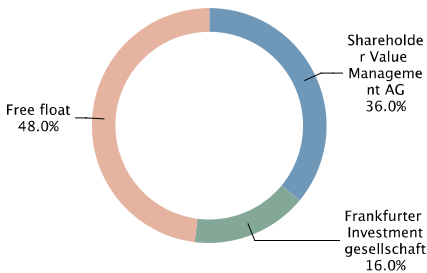
Source: Company data

Revenues by region 2022



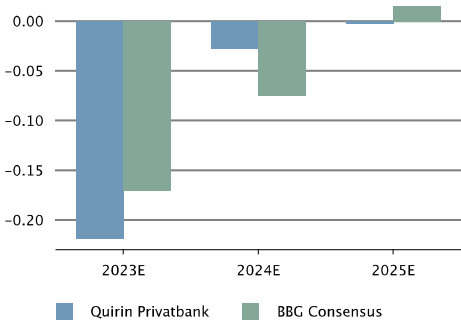
Source: Company data

Shareholder structure



Source: Company data

EPS: Quirin Privatbank vs. consensus



Source: Quirin Privatbank Research, Bloomberg

Company guidance 2023

The company projects a moderate increase in revenues and a break-even EBIT.

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 %	38.0	3.3 %	39.1	3.0 %	40.9	4.5 %
Cost of sales	-18.6		-21.1		-22.2		-22.9		-23.9	
Gross profit	17.4		15.7		15.8		16.2		17.0	
Selling expenses	-7.7		-8.1		-8.4		-8.5		-8.6	
General administrative expenses	-3.3		-3.3		-3.2		-3.3		-3.4	
Research and development costs	-5.7		-6.9		-6.9		-7.1		-7.4	
Other operating income	0.9		0.6		1.1		3.6		4.1	
Other operating expenses	-0.4		-0.9		-0.9		-0.9		-1.0	
EBITDA	4.4	-1.0 %	0.4	-90.5 %	0.9	120.9 %	3.2	240.8 %	3.5	10.3 %
EBITDA margin (%)	12.29		1.14		2.44		8.06		8.50	
EBIT	1.3	25.5 %	-2.9	-319.0 %	-2.5	-12.9 %	0.1	-104.7 %	0.6	422.5 %
EBIT margin (%)	3.64		-7.80		-6.58		0.30		1.50	
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 %	-3.2	-6.4 %	-0.6	-82.5 %	-0.1	-89.5 %
Pretax margin (%)	2.58		-9.21		-8.35		-1.42		-0.14	
Taxes	-0.1		-0.2		0.1		0.2		0.0	
Tax rate (%)	12.72		-4.93		2.40		30.00		30.00	
Earnings after taxes	0.8		-3.6		-3.1		-0.4		0.0	
Group attributable income	0.9	19.6 %	-3.6	-507.1 %	-3.1	-12.9 %	-0.4	-87.5 %	0.0	-89.5 %
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 %	-0.22	-12.9 %	-0.03	-87.5 %	0.00	-89.5 %

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		8.0		7.8		7.7	
Accounts receivables	5.0		4.9		5.1		5.2		5.4	
Inventories	0.0		0.0		0.0		0.0		0.0	
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 %	14.0	-14.1 %	13.9	-0.7 %	14.0	1.1 %
Fixed assets	0.6		0.5		0.1		0.2		0.6	
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 %	24.6	-1.5 %	24.7	0.4 %	25.1	1.7 %
Total assets	39.6	34.7 %	41.3	4.3 %	38.6	-6.5 %	38.6	0.0 %	39.1	1.4 %
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		-6.0		-6.4		-6.4	
Accumulated other comprehensive	0.0		0.0		0.0		0.0		0.0	
Shareholder's equity	17.4	5.3 %	13.9	-20.4 %	10.8	-22.3 %	10.4	-3.6 %	10.3	-0.4 %
Minorities	0.0		0.0		0.0		0.0		0.0	
Shareholder's equity incl. minorities	17.4	5.3 %	13.9	-20.4 %	10.8	-22.3 %	10.4	-3.6 %	10.3	-0.4 %
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	
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	
Other liabilities	4.6		5.5		5.6		5.8		6.1	
Total short-term debt	6.5	2.7 %	7.5	15.8 %	7.7	3.3 %	8.0	3.0 %	8.3	4.5 %
Total equity & liabilities	39.6	34.7 %	41.3	4.3 %	38.6	-6.5 %	38.6	0.0 %	39.1	1.4 %

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	-0.22	-0.03	0.00
Book value per share	1.2	1.0	0.8	0.7	0.7
Free cash flow per share	0.2	-0.2	-0.2	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	0.97	0.81	0.78
EV/EBITDA	12.9	98.0	39.7	10.0	9.1
P/B	3.3	2.6	2.8	2.4	2.4
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0
Growth					
Sales growth (%)	7.1	2.2	3.3	3.0	4.5
Profitability ratios					
EBITDA margin (%)	12.3	1.1	2.4	8.1	8.5
EBIT margin (%)	3.6	-7.8	-6.6	0.3	1.5
Net margin (%)	2.4	-9.7	-8.1	-1.0	-0.1
ROCE (%)	4.0	-8.5	-8.1	0.4	2.0
Financial ratios					
Total equity (EUR m)	17.4	13.9	10.8	10.4	10.3
Equity ratio (%)	44.0	33.6	27.9	26.9	26.4
Net financial debt (EUR m)	-0.2	4.5	6.9	7.2	7.3
Net debt/Equity	0.4	0.3	0.3	0.3	0.3
Interest cover	-3.4	5.5	3.7	-0.2	-0.9
Net debt/EBITDA	0.0	10.6	7.5	2.3	2.1
Payout ratio (%)	0.0	0.0	0.0	0.0	0.0
Working Capital (EUR m)	-0.3	-1.7	-1.8	-1.9	-1.9
Working capital/Sales	-0.01	-0.05	-0.05	-0.05	-0.05

Source: Company data, Quirin Privatbank estimates

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The levels of change expressed in each rating categories are:

BUY > +10%

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

SELL > -10%.

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Price and Rating History (last 12 months)

Date	Price target-EUR	Rating	Initiation
16.02.2024	2.60	Buy	
30.10.2023	2.60	Buy	
17.02.2023	6.00	Buy	11.12.2018

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Competent supervisory authority

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