

26 July 2024

Intershop Communications AG

Rating Buy (Buy)
Share price (EUR) 1.95
Target price (EUR) 2.80 (2.70)

Bloomberg ISHA GR
Sector Software

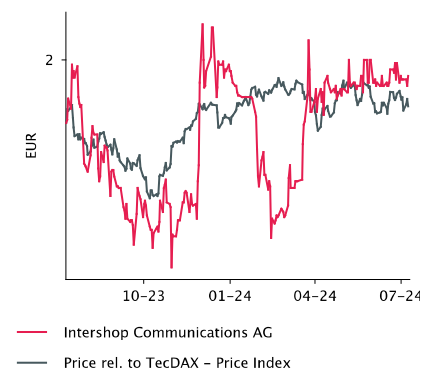
Share data

Shares out (m) 14.2
Market cap (EUR m) 28
EV (EUR m) 33
DPS (EUR) 0.00
Dividend yield (%) 0.0
Payout ratio (%) 0.0

Performance

ytd (%) -7.1
12 months (%) 3.4
12 months rel. (%) 0.8
Index TecDAX

Share price performance



Source: Bloomberg

Next triggers

Q3 results: 23.10.2024

Analysts

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Cloud business very favorable

On July 24, Intershop published its H1 2024 results. Total revenues came in at EUR 19m, slightly below previous year (EUR 19.4m). Main driver was the cloud business which increased by 32% yoy to EUR 10.3m and now accounts for 54% of total revenues, up 14 percentage points compared to last year. The cloud margin also climbed from 58% to 66%. Incoming cloud orders increased by 18% yoy to EUR 11.4m. Service revenues fell a bit short of expectations and decreased by 28% yoy to EUR 5.1m, burdened by individual complex and long-term major projects, while at the same time there were fewer new projects. The service business still has a burdening effect on bottom line. However, EBITDA came in at EUR 1.1m, improving from EUR 0.9m last year. The margin is intended to be improved by reducing personnel costs through e.g. a halt in new hires. Management confirmed its guidance. We slightly increase our target price to EUR 2.80 and reiterate our Buy recommendation.

Guidance confirmed

For the full year 2024, the Management Board continues to expect a slight increase in both incoming cloud orders and net new ARR. The company also projects a moderate increase in revenues and a break-even operating result (EBIT).

Focus on AI activities

Intershop appears to be well on its way to establishing itself as a leading AI-based e-commerce platform in the medium term. External assessments by industry analysts, including a recent evaluation by Forrester, validate this progress. Moving forward, the company plans to consolidate its AI activities within a newly established 'Artificial Intelligence' organizational unit, highlighting the strategic importance of artificial intelligence for Intershop. In this context, Intershop intends to continue expanding its technology partnerships and is planning to enter new dedicated AI product partnerships with third-party vendors in the medium term.

Intershop Communications AG - H1 2024

EUR m	H1 2024	H1 2023	yoy	Quirin est.	delta
Revenues	19.0	19.4	-2.1%	18.8	1.1%
EBITDA	1.10	0.90	22.2%	1.04	5.8%
EBITDA margin	5.8%	4.6%	115 BP	5.5%	26 BP

Source: Intershop Communications AG, Quirin Privatbank AG

Key figures		2022	2023	2024e	2025e	2026e
Sales	EUR m	37	38	39	41	43
EBITDA	EUR m	0	1	3	3	3
EBIT	EUR m	-3	-3	0	0	1
EPS	EUR	-0.25	-0.22	-0.01	0.00	0.02
Sales growth	%	2.2	3.2	3.0	4.5	5.0
EBITDA margin	%	1.1	2.3	7.3	7.6	8.1
EBIT margin	%	-7.8	-6.7	0.3	1.0	1.8
Net margin	%	-9.7	-8.1	-0.5	0.0	0.6
EV/Sales	ratio	1.17	0.90	0.83	0.80	0.76
EV/EBITDA	ratio	102.6	39.6	11.3	10.5	9.4
EV/EBIT	ratio	-15.0	-13.5	277.0	80.0	42.3
P/E	ratio	-10.3	-9.7	-138.9	7949.8	107.5

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 8.32% (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 2024-2027 of 5.2% 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 2.80 per share. Hence, we reiterate our Buy recommendation.

DCF Model for Intershop Communications AG

(EUR m)	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	TV
Sales	39.1	40.9	42.9	45.5	48.0	50.3	52.4	54.3	55.8	57.0	
growth yoy	3.0%	4.5%	5.0%	6.0%	5.5%	4.8%	4.2%	3.5%	2.8%	2.2%	
EBIT	0.1	0.4	0.8	1.3	1.7	2.6	3.5	4.5	5.5	6.6	
EBIT margin	0.3%	1.0%	1.8%	2.8%	3.5%	5.1%	6.7%	8.3%	9.9%	11.5%	
Taxes	0.0	-0.1	-0.2	-0.4	-0.5	-0.8	-1.1	-1.4	-1.7	-2.0	
Tax rate	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	
Depreciation	2.8	2.7	2.7	2.7	2.8	3.5	3.9	4.2	4.4	4.6	
% of sales	7.0%	6.6%	6.3%	6.0%	5.8%	6.9%	7.4%	7.7%	7.9%	8.0%	
Capex	-3.1	-3.3	-3.4	-3.6	-3.8	-4.0	-4.2	-4.3	-4.5	-4.6	
% 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	0.2	0.3	0.3	0.3	0.3	0.4	0.4	0.4	0.4	
% of sales	-0.4%	-0.6%	-0.6%	-0.7%	-0.7%	-0.7%	-0.7%	-0.7%	-0.7%	-0.7%	
FCF	-0.1	0.0	0.1	0.3	0.4	1.6	2.5	3.4	4.2	5.0	74.1
growth yoy	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	59.6%	33.5%	23.7%	19.4%	1.5%
PV FCF	-0.1	0.0	0.1	0.2	0.3	1.0	1.5	1.9	2.1	2.3	34.9

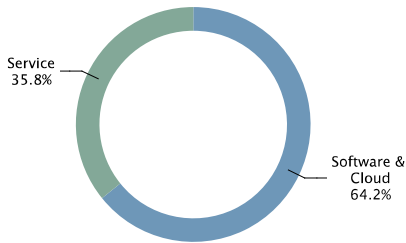
Enterprise value	44	PV Forecast Period	9	Risk free rate	3.50%
- Net Debt / Net Cash	4.5	PV Terminal Value	35	Cost of debt	4.50%
- Pension Provisions	0			Market Premium	4.50%
Equity value	40			Equity ratio	100%
Number of shares	14.2			Company beta	1.1
Value per share (€)	2.80			WACC	8.32%

Source: Quirin Privatbank

Company description

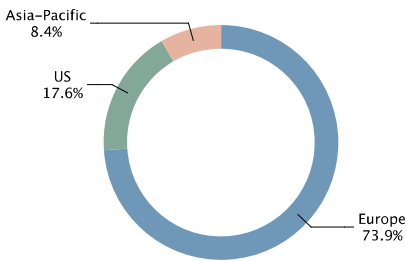
Intershop Communications AG is a provider of integrated enterprise solutions for omni-channel commerce. The Company operates in two business segments: Products and Service. The Products business segment comprises licensing revenues and maintenance revenues. The Service business segment includes revenues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

Revenues by segment 2023



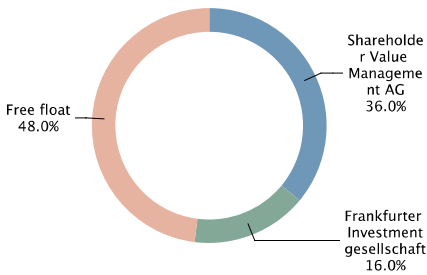
Source: Company data

Revenues by region 2023



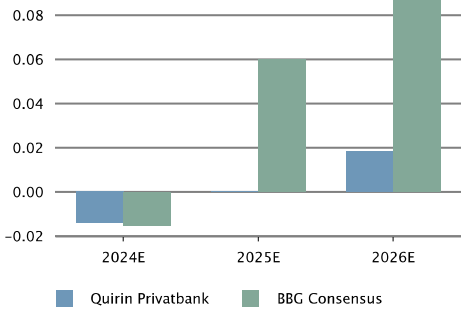
Source: Company data

Shareholder structure



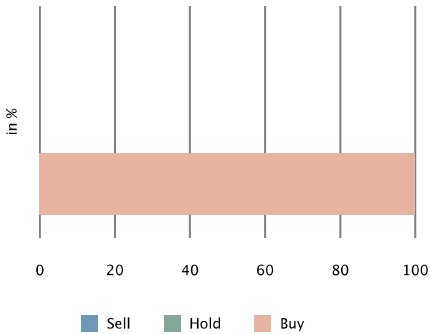
Source: Company data

EPS: Quirin Privatbank vs. consensus



Source: Quirin Privatbank Research, Bloomberg

Recommendation Overview



Source: Bloomberg

Company guidance 2024

For the full year 2024, the Management Board continues to expect a slight increase in both incoming cloud orders and net new ARR. The company also projects a moderate increase in revenues and a break-even operating result (EBIT).

Profit & loss statement

Profit & loss statement (EUR m)	2022	YOY	2023	YOY	2024e	YOY	2025e	YOY	2026e	YOY
Sales	36.8	2.2 %	38.0	3.2 %	39.1	3.0 %	40.9	4.5 %	42.9	5.0 %
Cost of sales	-21.1		-22.2		-22.8		-23.9		-25.1	
Gross profit	15.7		15.8		16.3		17.0		17.9	
Selling expenses	-8.1		-8.4		-8.4		-8.6		-8.8	
General administrative expenses	-3.3		-3.2		-3.3		-3.5		-3.7	
Research and development costs	-6.9		-6.9		-7.1		-7.5		-7.8	
Other operating income	0.6		0.5		3.0		3.3		3.5	
Other operating expenses	-0.9		-0.3		-0.3		-0.3		-0.3	
EBITDA	0.4	-90.5 %	0.9	106.9 %	2.9	230.7 %	3.1	8.8 %	3.5	11.8 %
EBITDA margin (%)	1.14		2.28		7.33		7.63		8.13	
EBIT	-2.9	-319.0 %	-2.5	-11.6 %	0.1	-104.6 %	0.4	248.3 %	0.8	89.0 %
EBIT margin (%)	-7.80		-6.68		0.30		1.00		1.80	
Net interest	-0.5		-0.5		-0.4		-0.4		-0.4	
Net financial result	-0.5		-0.5		-0.4		-0.4		-0.4	
Exceptional items	0.0		0.0		1.0		1.0		1.0	
Pretax profit	-3.4	-465.3 %	-3.0	-11.1 %	-0.3	-90.4 %	0.0	-100.2 %	0.4	52752.3 %
Pretax margin (%)	-9.21		-7.93		-0.74		0.00		0.85	
Taxes	-0.2		-0.1		0.1		0.0		-0.1	
Tax rate (%)	-4.93		-2.36		30.00		30.00		30.00	
Earnings after taxes	-3.6		-3.1		-0.2		0.0		0.3	
Group attributable income	-3.6	-507.1 %	-3.1	-13.3 %	-0.2	-93.5 %	0.0	-101.7 %	0.3	7297.5 %
No. of shares (m)	14.2		14.2		14.2		14.2		14.2	
Earnings per share (EUR)	-0.25	-507.1 %	-0.22	-13.3 %	-0.01	-93.5 %	0.00	-101.7 %	0.02	7297.5 %

Source: Company data, Quirin Privatbank estimates

Balance sheet

Balance sheet (EUR m)	2022	YOY	2023	YOY	2024e	YOY	2025e	YOY	2026e	YOY
Assets										
Cash and cash equivalents	10.5		10.0		9.7		9.5		9.5	
Accounts receivables	4.9		3.9		4.0		4.2		4.4	
Inventories	0.0		0.0		0.0		0.0		0.0	
Other current assets	0.9		1.0		1.0		1.0		1.0	
Tax claims	0.1		0.1		0.1		0.1		0.1	
Total current assets	16.3	-9.9 %	14.9	-8.6 %	14.7	-1.5 %	14.7	0.0 %	14.9	1.3 %
Fixed assets	0.5		0.4		0.8		1.4		2.1	
Goodwill	7.5		7.5		7.5		7.5		7.5	
Other intangible assets	6.9		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	9.9		9.1		9.1		9.1		9.1	
Total fixed assets	25.0	16.3 %	23.1	-7.3 %	23.5	1.6 %	24.1	2.4 %	24.8	3.0 %
Total assets	41.3	4.3 %	38.0	-7.8 %	38.2	0.4 %	38.8	1.5 %	39.7	2.3 %
Equity & Liabilities										
Subscribed capital	14.2		14.6		14.6		14.6		14.6	
Reserves & other	2.6		3.0		3.0		3.0		3.0	
Revenue reserves	-2.9		-6.2		-6.4		-6.4		-6.2	
Accumulated other comprehensive	0.0		0.0		0.0		0.0		0.0	
Shareholder's equity	13.9	-20.4 %	11.4	-17.9 %	11.2	-1.8 %	11.2	0.0 %	11.4	2.3 %
Minorities	0.0		0.0		0.0		0.0		0.0	
Shareholder's equity incl. minorities	13.9	-20.4 %	11.4	-17.9 %	11.2	-1.8 %	11.2	0.0 %	11.4	2.3 %
Long-term liabilities										
Pension provisions	0.0		0.0		0.0		0.0		0.0	
Financial liabilities	14.9		12.5		12.5		12.5		12.5	
Tax liabilities	0.1		0.0		0.0		0.0		0.0	
Other liabilities	-0.1		0.0		0.0		0.0		0.0	
Total long-term debt	14.9	24.5 %	12.5	-16.1 %	12.5	0.0 %	12.5	0.0 %	12.5	0.0 %
Short-term debt										
Other provisions	0.4		0.3		0.4		0.4		0.4	
Trade payables	1.7		2.0		2.0		2.1		2.2	
Financial debt	1.9		2.0		2.0		2.0		2.0	
Other liabilities	8.5		9.8		10.1		10.6		11.1	
Total short-term debt	12.5	22.8 %	14.1	13.4 %	14.5	2.6 %	15.1	3.9 %	15.7	4.3 %
Total equity & liabilities	41.3	4.3 %	38.0	-7.8 %	38.2	0.4 %	38.8	1.5 %	39.7	2.3 %

Source: Company data, Quirin Privatbank estimates

Financial key ratios

Key ratios	2022	2023	2024e	2025e	2026e
Per share data (EUR)					
EPS	-0.25	-0.22	-0.01	0.00	0.02
Book value per share	1.0	0.8	0.8	0.8	0.8
Free cash flow per share	-0.2	0.1	0.0	0.0	0.0
Dividend per share	0.00	0.00	0.00	0.00	0.00
Valuation ratios					
EV/Sales	1.17	0.90	0.83	0.80	0.76
EV/EBITDA	102.6	39.6	11.3	10.5	9.4
EV/EBIT	-15.0	-13.5	277.0	80.0	42.3
P/E	-10.3	-9.7	-138.9	7949.8	107.5
P/B	2.6	2.6	2.5	2.5	2.4
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0
Growth					
Sales growth (%)	2.2	3.2	3.0	4.5	5.0
EBITDA growth (%)	-90.5	106.9	230.7	8.8	11.8
EBIT growth (%)	-319.0	-11.6	-104.6	248.3	89.0
EPS growth (%)	-507.1	-13.3	-93.5	-101.7	7297.5
Profitability ratios					
EBITDA margin (%)	1.1	2.3	7.3	7.6	8.1
EBIT margin (%)	-7.8	-6.7	0.3	1.0	1.8
Net margin (%)	-9.7	-8.1	-0.5	0.0	0.6
ROCE (%)	-10.0	-10.6	0.5	1.7	3.2
Financial ratios					
Total equity (EUR m)	13.9	11.4	11.2	11.2	11.4
Equity ratio (%)	33.6	29.9	29.2	28.8	28.8
Net financial debt (EUR m)	6.4	4.5	4.8	5.0	5.0
Net debt/Equity	0.3	0.3	0.3	0.3	0.3
Interest cover	5.5	4.8	-0.3	-0.9	-1.7
Net debt/EBITDA	15.2	5.2	1.7	1.6	1.4
Payout ratio (%)	0.0	0.0	0.0	0.0	0.0
Working Capital (EUR m)	-1.7	-4.9	-5.1	-5.3	-5.6
Working capital/Sales	-0.05	-0.13	-0.13	-0.13	-0.13

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%

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Price and Rating History (last 12 months)

Date	Price target-EUR	Rating	Initiation
26.07.2024	2.80	Buy	
24.04.2024	2.70	Buy	
30.10.2023	2.60	Buy	11.12.2018

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Competent supervisory authority

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