

30 April 2020

Intershop Communications AG

Rating Hold (Hold)
Share price (EUR) 3.16
Target price (EUR) 3.35 (2.42)

Bloomberg ISH2 GY
 Sector Software/IT-Service

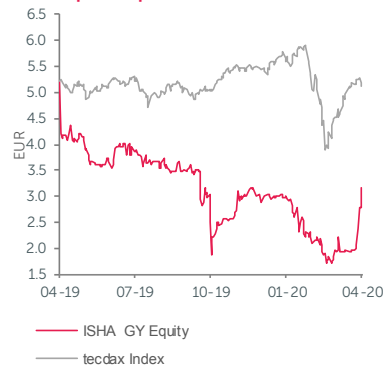
Share data

Shares out (m) 14.2
 Market cap (EUR m) 39
 EV (EUR m) 32
 DPS (EUR) 0.00
 Dividend yield (%) 0.0
 Payout ratio (%) 0.0

Performance

ytd (%) -23.5
 12 months (%) -44.6
 12 months rel. (%) -44.0
 Index TecDAX

Share price performance



Source: Bloomberg

Next triggers

23.07.2020: Q2 figures

Analysts

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Intershop achieves turnaround despite this major crisis

On April 29, Intershop published a better than expected set of Q1 2020 figures. We like to highlight the outstanding development on the high-margin and recurring cloud revenues and the strong order book here. Also quite positive are the cost reductions. As a result, Intershop returned to profitability, which in our view, seems sustainable. Hence, this can be seen as a turnaround, which Intershop achieved even despite this major crisis. Due to this favorable development, we adjust our estimates and increase our target price to EUR 3.35 based on our DCF model and confirm our Hold rating.

Top line development

Revenues came in at EUR 8.4m, up 15% yoy and almost 8% above our estimate. The high-margin and recurring cloud and subscription revenues increased even 19% yoy to EUR 1.7m and cloud orders were up even 212% yoy to EUR 4m. This development shows that the cloud transformation is proceeding well. But also license revenues developed quite favorably and rose by 83% yoy. Service revenues increased by 12% yoy to EUR 3.6m.

EBIT development

EBIT came in at EUR 0.3m (previous year: EUR -2.1m) and thus much better than we and the market expected. This performance is primarily attributable to the cost-cutting measures implemented in Q4 2019 and the operational excellence measures initiated by the company. Marketing and sales expenses decreased by 28% to EUR 1.7m. R&D expenses were reduced by 20% to EUR 1.0m. Administrative expenses dropped by 13% to EUR 0.8m.

Strong balance sheet

The company's equity ratio remained at a high level of 59%. Cash and cash equivalents were up by 9% on year end 2019 to EUR 8.4m. Cash flow from operations improved to EUR 2m, compared to EUR -1m last year.

Guidance 2020

Intershop also confirmed its guidance for FY 2020 and expects revenues to increase slightly. EBIT is assumed to be slightly positive. However, as we all know, the development of this crisis is difficult to foresee, so somewhat weaker quarters in-between may be possible.

Key figures		2018	2019	2020e	2021e	2022e
Sales	EUR m	31	32	33	35	36
EBITDA	EUR m	-4	-2	4	4	4
EBIT	EUR m	-6	-6	1	1	1
EPS	EUR	-0.20	-0.16	0.05	0.07	0.08
Sales growth	%	n.a.	1.3	4.4	4.5	5.5
EBIT growth	%	n.a.	9.4	-114.3	30.7	20.6
EPS growth	%	n.a.	-19.5	-131.3	38.4	12.2
EBITDA margin	%	-11.9	-7.3	12.3	11.2	11.1
EBIT margin	%	-19.0	-20.5	2.8	3.5	4.0
Net margin	%	-21.7	-21.0	2.2	2.9	3.0
EV/Sales	ratio	0.49	0.26	0.97	0.89	0.79
EV/EBITDA	ratio	-4.2	-3.5	7.9	8.0	7.1
EV/EBIT	ratio	-2.6	-1.3	34.6	25.6	19.8
P/E	ratio	-13.9	-17.3	55.3	39.9	35.6
P/BV	ratio	0.4	0.4	1.2	1.2	1.4
Dividend yield	%	0.0	0.0	0.0	0.0	0.0

Source: Bloomberg, Company data, Quirin Privatbank estimates

DCF Model for Intershop Communications AG

(EUR m)	2020e	2021e	2022e	2023e	2024e	2025e	2026e	2027e	2028e	2029e	TV
Sales	33.0	34.5	36.4	38.5	40.8	42.9	44.9	46.5	47.9	49.0	
growth yoy	4.4%	4.5%	5.5%	5.8%	6.0%	5.2%	4.5%	3.7%	3.0%	2.2%	
EBIT	0.9	1.2	1.5	1.9	2.4	2.7	3.1	3.4	3.6	3.9	
EBIT margin	2.8%	3.5%	4.0%	5.0%	6.0%	6.4%	6.8%	7.2%	7.6%	8.0%	
Taxes	-0.1	-0.2	-0.3	-0.5	-0.7	-0.8	-0.9	-1.0	-1.1	-1.2	
Tax rate	16%	13%	20%	25%	30%	30%	30%	30%	30%	30%	
Depreciation	3.1	2.7	2.6	2.6	2.5	2.8	3.1	3.2	3.3	3.4	
% of sales	9.5%	7.7%	7.1%	6.8%	6.2%	6.6%	6.8%	6.9%	7.0%	7.0%	
Capex	-2.6	-2.8	-2.9	-2.7	-2.9	-3.0	-3.1	-3.3	-3.4	-3.4	
% of sales	8.0%	8.0%	8.0%	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	-0.2	-0.2	-0.2	-0.2	
% of sales	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	
FCF	1.2	0.9	0.7	1.2	1.3	1.6	1.9	2.1	2.4	2.6	54.8
growth yoy	n.m.	n.m.	n.m.	n.m.	0.7%	28.4%	17.8%	13.0%	10.4%	9.1%	1.5%
PV FCF	1.1	0.8	0.6	1.0	0.9	1.1	1.3	1.3	1.4	1.4	30.4

Enterprise value	41	PV Forecast Period	11	Risk free rate	2.00%
- Net Debt / Net Cash	-6.2	PV Terminal Value	30	Cost of debt	3.00%
- Pension Provisions	0			Market Premium	5.00%
Equity value	48			Equity ratio	100%
Number of shares	14.2			Company beta	0.9
Value per share (€)	3.35			WACC	6.28%

Source: Quirin Privatbank

Profit & loss statement

Profit & loss statement (EUR m)	2018	YOY	2019	YOY	2020e	YOY	2021e	YOY	2022e	YOY
Sales	31.2	n.a.	31.6	1.3 %	33.0	4.4 %	34.5	4.5 %	36.4	5.5 %
Cost of sales	-19.3		-20.6		-21.5		-22.4		-23.7	
Gross profit	11.9		11.1		11.5		12.1		12.7	
Selling expenses	-9.6		-8.8		-6.9		-7.2		-7.6	
General administrative expenses	-3.5		-3.4		-2.3		-2.4		-2.5	
Research and development costs	-4.7		-4.6		-3.6		-3.8		-4.0	
Other operating income	0.2		0.3		2.9		3.3		3.6	
Other operating expenses	-0.2		-1.1		-0.7		-0.7		-0.7	
EBITDA	-3.7	n.a.	-2.3	-37.3 %	4.1	-275.0 %	3.9	-4.9 %	4.1	4.8 %
EBITDA margin (%)	-11.87		-7.35		12.32		11.21		11.13	
EBIT	-5.9	n.a.	-6.5	9.4 %	0.9	-114.3 %	1.2	30.7 %	1.5	20.6 %
EBIT margin (%)	-18.96		-20.46		2.80		3.50		4.00	
Net interest	-0.1		-0.2		-0.1		-0.1		-0.1	
Income from Participations	n.a.		n.a.		n.a.		n.a.		n.a.	
Net financial result	-0.1		-0.2		-0.1		-0.1		-0.1	
Exceptional items	0.0		0.0		0.0		0.0		0.0	
Pretax profit	-6.1	n.a.	-6.6	9.4 %	0.9	-112.8 %	1.1	33.7 %	1.4	22.1 %
Pretax margin (%)	-19.43		-20.97		2.58		3.30		3.81	
Taxes	-0.7		-0.1		-0.1		-0.1		-0.3	
Tax rate (%)	-11.24		-2.17		16.00		13.00		20.00	
Earnings after taxes	-5.4		-6.5		1.0		1.3		1.7	
Minorities	n.a.		n.a.		n.a.		n.a.		n.a.	
Group attributable income	-6.8	n.a.	-6.6	-2.2 %	0.7	-110.8 %	1.0	38.4 %	1.1	12.2 %
No. of shares (m)	34.9		42.6		14.2		14.2		14.2	
Earnings per share (EUR)	-0.20	n.a.	-0.16	-19.5 %	0.05	-131.3 %	0.07	38.4 %	0.08	12.2 %

Source: Company data, Quirin Privatbank estimates

Balance sheet

Balance sheet (EUR m)	2018	YOY	2019	YOY	2020e	YOY	2021e	YOY	2022e	YOY
Assets										
Cash and cash equivalents	7.2		7.7		9.1		10.2		12.2	
Accounts receivables	4.0		5.5		5.8		6.0		6.4	
Inventories	1.1		1.4		1.4		1.5		1.6	
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	12.3	n.a.	14.6	18.8 %	16.3	11.4 %	17.7	8.5 %	20.1	13.7 %
Fixed assets	0.7		0.6		0.1		0.2		0.5	
Goodwill	4.5		4.5		4.5		4.5		4.5	
Other intangible assets	5.1		5.4		5.4		5.4		5.4	
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	0.0		2.4		2.4		2.4		2.4	
Total fixed assets	10.4	n.a.	13.0	25.7 %	12.5	-3.9 %	12.6	0.8 %	12.9	2.5 %
Total assets	22.7	n.a.	27.6	21.9 %	28.8	4.2 %	30.3	5.1 %	33.0	9.0 %
Equity & Liabilities										
Subscribed capital	34.9		42.6		14.2		14.2		14.2	
Reserves & other	9.7		1.1		1.1		1.1		1.1	
Revenue reserves	-30.9		-27.9		1.2		2.2		4.3	
Accumulated other comprehensive	0.0		0.0		0.0		0.0		0.0	
Shareholder's equity	13.6	n.a.	15.7	15.3 %	16.4	4.5 %	17.4	6.0 %	19.5	12.1 %
Minorities	0.0		0.0		0.0		0.0		0.0	
Shareholder's equity incl. minorities	13.6	n.a.	15.7	15.3 %	16.4	4.5 %	17.4	6.0 %	19.5	12.1 %
Long-term liabilities										
Pension provisions	0.0		0.0		0.0		0.0		0.0	
Financial liabilities	3.0		1.6		1.6		1.6		1.6	
Tax liabilities	0.2		0.1		0.1		0.1		0.1	
Other liabilities	0.1		0.2		0.2		0.2		0.2	
Total long-term debt	3.4	n.a.	1.8	-46.8 %	1.8	0.6 %	1.8	0.7 %	1.9	0.9 %
Short-term debt										
Other provisions	0.3		0.4		0.4		0.5		0.5	
Trade payables	1.5		1.7		1.7		1.8		1.9	
Financial debt	0.0		0.0		0.0		0.0		0.0	
Other liabilities	2.3		4.7		4.9		5.2		5.4	
Total short-term debt	4.1	n.a.	6.8	67.1 %	7.1	4.4 %	7.4	4.5 %	7.8	5.5 %
Total equity & liabilities	22.7	n.a.	27.6	21.9 %	28.8	4.2 %	30.3	5.1 %	33.0	9.0 %

Source: Company data, Quirin Privatbank estimates

Financial key ratios

Key ratios	2018	2019	2020e	2021e	2022e
Per share data (EUR)					
EPS	-0.20	-0.16	0.05	0.07	0.08
Book value per share	0.4	0.4	1.2	1.2	1.4
Free cash flow per share	0.1	0.1	0.1	0.0	0.0
Dividend per share	0.00	0.00	0.00	0.00	0.00
Valuation ratios					
EV/Sales	0.49	0.26	0.97	0.89	0.79
EV/EBITDA	-4.2	-3.5	7.9	8.0	7.1
EV/EBIT	-2.6	-1.3	34.6	25.6	19.8
P/E	-13.9	-17.3	55.3	39.9	35.6
P/B	0.4	0.4	1.2	1.2	1.4
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0
Growth					
Sales growth (%)	n.a.	1.3	4.4	4.5	5.5
EBITDA growth (%)	n.a.	-37.3	-275.0	-4.9	4.8
EBIT growth (%)	n.a.	9.4	-114.3	30.7	20.6
EPS growth (%)	n.a.	-19.5	-131.3	38.4	12.2
Profitability ratios					
EBITDA margin (%)	-11.9	-7.3	12.3	11.2	11.1
EBIT margin (%)	-19.0	-20.5	2.8	3.5	4.0
Net margin (%)	-21.7	-21.0	2.2	2.9	3.0
Financial ratios					
Total equity (EUR m)	13.6	15.7	16.4	17.4	19.5
Equity ratio (%)	60.2	56.9	57.1	57.6	59.2
Net financial debt (EUR m)	-4.2	-6.2	-7.5	-8.6	-10.6
Net debt/Equity	0.6	0.6	0.6	0.6	0.6
Interest cover	37.4	36.8	-10.3	-13.5	-16.3
Net debt/EBITDA	1.1	2.7	-1.9	-2.2	-2.6
Payout ratio (%)	0.0	0.0	0.0	0.0	0.0
Working Capital (EUR m)	1.8	1.9	2.0	2.1	2.2
Working capital/Sales	0.06	0.06	0.06	0.06	0.06

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
30.04.2020	3.38	Hold	
19.02.2020	2.42	Hold	
08.11.2019	0.80	Hold	11.12.2018

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