

27 July 2020

Intershop Communications AG

Rating **Hold (Hold)**
Share price (EUR) **3.22**
Target price (EUR) **3.35**

Bloomberg **ISH2 GY**
Sector **IT-Service**

Share data

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 (%) **-36.7**
12 months rel. (%) **-44.7**
Index **TecDAX**

Share price performance



Source: Bloomberg

Next triggers

22.10.2020: Q3 figures

Analysts

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Convincing Q2 figures - Intershop proves turnaround is sustainable

On July 24, Intershop published a better than expected set of Q2 2020 figures and continued its extraordinary performance, which we have already seen in Q1 2020. Revenues were up 1.5% yoy and 4.1% better than we expected. Those figures imply a run-rate 2020 of EUR 34.3m, while the consensus is still at just EUR 32.5m; hence implying 5.6% potential of upside revision. We believe it's even possible Intershop might upgrade its guidance in the second half of the year. Also quite positive are the cost reductions. For example, marketing and sales expenses were reduced by 22% to EUR 3.6m, research and development expenses declined by 27% to EUR 1.8m. As a result, Intershop reported the second quarter in a row with positive earnings, which in our view, proves this turnaround is sustainable. EBIT came in at EUR 0.2m (previous year: EUR -1.62m) and 11.7% better than we anticipated. Due to this favorable development, we confirm our target price of EUR 3.35 based on our DCF model and confirm our Hold rating.

Strong balance sheet

The company's equity ratio improved from 57% to 61%. Cash and cash equivalents increased by EUR 0.2m compared to December 2019 and totaled EUR 7m. Cash flow from operations improved to EUR 2.1m for H1 2020, compared to EUR -2.4m in the previous 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, keep in mind, we calculate a run-rate 5.6% above this guidance; hence, we view it rather conservative, which we appreciate given the uncertainties that come with Covid-19.

Intershop Communications AG - Q2 2020

EUR m	Q2 2020	Q2 2019	yoy	Quirin est.	delta
Revenues	8.0	7.9	1.5%	7.7	4.1%
EBIT	0.20	-1.62	n.m.	0.18	11.7%
EBIT margin	2.5%	n.m.	n.a.	2.3%	17 BP

Source: Intershop Communications AG, Quirin Privatbank AG

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
EV/Sales	ratio	0.49	0.26	0.97	0.89	0.79
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

Source: Bloomberg, Company data, Quirin Privatbank estimates

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	
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	
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
27.07.2020	3.35	Hold	
19.02.2020	2.42	Hold	
08.11.2019	0.80	Hold	11.12.2018

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